

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

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-CSR**

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

Investment Company Act file number: 811-04875

Name of Registrant: Royce Value 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  
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Registrant's telephone number, including area code: (212) 486-1445

Date of fiscal year end: December 31

Date of reporting period: January 1, 2003 - June 30, 2003

**Item 1: Reports to Shareholders**

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*2003 Semiannual Report*

**THE  
ROYCE  
FUNDS**

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

**ROYCE VALUE TRUST**  
**ROYCE MICRO-CAP TRUST**  
**ROYCE FOCUS TRUST**

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

**A FEW WORDS ON CLOSED-END FUNDS**

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

A closed-end fund is an investment company whose shares are listed on a stock exchange or are traded in the over-the-counter market. Like all investment companies, including open-end mutual funds, the assets of a closed-end fund are professionally managed in accordance with the investment objectives and policies approved by the fund's Board of Directors. A closed-end fund raises cash for investment by issuing a fixed number of shares through initial and other

public offerings which may include periodic rights offerings. Proceeds from the offerings are invested in an actively managed portfolio of securities. Investors wanting to buy or sell shares of a publicly traded closed-end fund after the offerings must do so on a stock exchange or the Nasdaq market, as with any publicly traded stock. This is in contrast to open-end mutual funds, where the fund sells and redeems its shares on a continuous basis.

### **A CLOSED-END FUND OFFERS SEVERAL DISTINCT ADVANTAGES NOT AVAILABLE FROM AN OPEN-END FUND STRUCTURE**

- Since a closed-end fund does not issue redeemable securities or offer its securities on a continuous basis, it does not need to liquidate securities or hold uninvested assets to meet investor demands for cash redemptions, as an open-end fund must.
- In a closed-end fund, not having to meet investor redemption requests or invest at inopportune times is ideal for value managers who attempt to buy stocks when prices are depressed and sell securities when prices are high.
- A closed-end fund may invest more freely in less liquid portfolio securities because it is not subject to potential stockholder redemption demands. This is particularly beneficial for Royce-managed closed-end funds, which invest in small- and micro-cap securities.
- The fixed capital structure allows permanent leverage to be employed as a means to enhance capital appreciation potential.
- Unlike open-end funds, our closed-end funds are able to distribute capital gains on a quarterly basis. Royce Value Trust and Royce Micro-Cap Trust have adopted a quarterly distribution policy for their common stock.

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

### **WHY DIVIDEND REINVESTMENT IS IMPORTANT**

A very important component of an investor's total return comes from the reinvestment of

distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. To get a fair idea of the impact of reinvested distributions, please see the charts on pages [13](#), [15](#) and [17](#). For additional information on the Funds' Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, see [page 18](#).

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## THE ROYCE FUNDS

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### SEMIANNUAL REPORT REFERENCE GUIDE

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

|   |                  |
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## NAV AVERAGE ANNUAL TOTAL RETURNS Through June 30, 2003

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

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

\* Not annualized.

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

## LETTER TO OUR STOCKHOLDERS

Charles M. Royce, *President*

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

## THE MARKET: RELOADED

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

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

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

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

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

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

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

## LETTER TO OUR STOCKHOLDERS

### SMALL-CAPS GO WILD!

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

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

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

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

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

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## FINDING VALUE

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



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

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

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

## LETTER TO OUR STOCKHOLDERS

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### CHARLIE'S (AS IN ROYCE'S) ANGELS

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

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

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

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

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

## 2 FAST, 2 FURIOUS?

As of this writing, none of the major market indices has regained the peaks that they reached in March 2000. Even allowing for the recent rally, the past three years have been a trying period for investors. Although small-caps fared well relative to their larger counterparts, the recent decline was the worst for the Russell 2000

since the index's inception in January 1979. When looking further back, and using the Center for Research in Securities Prices (CRSP) 6-10 index as a small-cap proxy, one finds that the recent bear market was the second worst for small-caps in the post World War II era (the worst took place between 1968 and 1974). **Because significant down periods have often been followed by furious rallies, the Russell 2000's 38.6% return from the small-cap market bottom on 10/9/02 through 6/30/03 is not at all surprising.** Since the inception of the Russell 2000, rallies from small-cap bottoms to their subsequent market peaks lasted an average of 29 months (*see the table below*), so we do not expect to see a new small-cap peak anytime soon.

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

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

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

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

**LETTER TO OUR STOCKHOLDERS**

***Looking for Small-Cap's Next Peak***

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

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

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

### **SMALL ALMIGHTY?**

The last three-and-a-half months have been enjoyable for most equity investors. Those of us who invest for the long term have been gratified to see a protracted season of purchasing at ever-dwindling prices yield to a fast, dynamic rally, even if we believe that investors' perceptions are in advance of reality. Our suspicion is that a more widespread

earnings and economic recovery is still ahead of us, and will not begin in earnest until probably 2004 or even early 2005. The stirrings of each are with us currently, which has helped the market to recover, but we do not think that we will see sustained, robust earnings or overall economic recovery for a while. We also think that we will see regular market leadership rotation between small- and large-cap for the next several years. However, considering their head start during the bear market, we believe that small-caps should finish the decade ahead of their larger siblings.

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

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

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We appreciate your continued support.

Sincerely,

Charles M. Royce  
*President*

W. Whitney George  
*Vice President*

Jack E. Fockler, Jr.  
*Vice President*

July 31, 2003

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

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## SMALL-CAP MARKET CYCLE PERFORMANCE

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Since the Russell 2000's inception in 1979, value has outperformed growth in five of the six full small-cap market

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

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

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

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

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

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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

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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.

| <u>HISTORY</u>               | <u>AMOUNT INVESTED</u>    | <u>PURCHASE PRICE*</u> | <u>SHARES</u> | <u>NAV VALUE **</u> | <u>MARKET VALUE **</u> |                  |
|------------------------------|---------------------------|------------------------|---------------|---------------------|------------------------|------------------|
| <b>Royce Value Trust</b>     |                           |                        |               |                     |                        |                  |
| 11/26/86                     | Initial Purchase          | \$ 10,000              | \$ 10.000     | 1,000               | \$ 9,280               | \$ 10,000        |
| 10/15/87                     | Distribution \$0.30       |                        | 7.000         | 42                  |                        |                  |
| 12/31/87                     | Distribution \$0.22       |                        | 7.125         | 32                  | 8,578                  | 7,250            |
| 12/27/88                     | Distribution \$0.51       |                        | 8.625         | 63                  | 10,529                 | 9,238            |
| 9/22/89                      | Rights Offering           | 405                    | 9.000         | 45                  |                        |                  |
| 12/29/89                     | Distribution \$0.52       |                        | 9.125         | 67                  | 12,942                 | 11,866           |
| 9/24/90                      | Rights Offering           | 457                    | 7.375         | 62                  |                        |                  |
| 12/31/90                     | Distribution \$0.32       |                        | 8.000         | 52                  | 11,713                 | 11,074           |
| 9/23/91                      | Rights Offering           | 638                    | 9.375         | 68                  |                        |                  |
| 12/31/91                     | Distribution \$0.61       |                        | 10.625        | 82                  | 17,919                 | 15,697           |
| 9/25/92                      | Rights Offering           | 825                    | 11.000        | 75                  |                        |                  |
| 12/31/92                     | Distribution \$0.90       |                        | 12.500        | 114                 | 21,999                 | 20,874           |
| 9/27/93                      | Rights Offering           | 1,469                  | 13.000        | 113                 |                        |                  |
| 12/31/93                     | Distribution \$1.15       |                        | 13.000        | 160                 | 26,603                 | 25,428           |
| 10/28/94                     | Rights Offering           | 1,103                  | 11.250        | 98                  |                        |                  |
| 12/19/94                     | Distribution \$1.05       |                        | 11.375        | 191                 | 27,939                 | 24,905           |
| 11/3/95                      | Rights Offering           | 1,425                  | 12.500        | 114                 |                        |                  |
| 12/7/95                      | Distribution \$1.29       |                        | 12.125        | 253                 | 35,676                 | 31,243           |
| 12/6/96                      | Distribution \$1.15       |                        | 12.250        | 247                 | 41,213                 | 36,335           |
|                              | Annual distribution total |                        |               |                     |                        |                  |
| 1997                         | \$1.21                    |                        | 15.374        | 230                 | 52,556                 | 46,814           |
|                              | Annual distribution total |                        |               |                     |                        |                  |
| 1998                         | \$1.54                    |                        | 14.311        | 347                 | 54,313                 | 47,506           |
|                              | Annual distribution total |                        |               |                     |                        |                  |
| 1999                         | \$1.37                    |                        | 12.616        | 391                 | 60,653                 | 50,239           |
|                              | Annual distribution total |                        |               |                     |                        |                  |
| 2000                         | \$1.48                    |                        | 13.972        | 424                 | 70,711                 | 61,648           |
|                              | Annual distribution total |                        |               |                     |                        |                  |
| 2001                         | \$1.49                    |                        | 15.072        | 437                 | 81,478                 | 73,994           |
|                              | Annual distribution total |                        |               |                     |                        |                  |
| 2002                         | \$1.51                    |                        | 14.903        | 494                 |                        |                  |
| 1/28/03                      | Rights Offering           | 5,600                  | 10.770        | 520                 |                        |                  |
|                              | Year-to-date distribution |                        |               |                     |                        |                  |
| 2003                         | total \$0.65              |                        | 13.143        | 273                 |                        |                  |
| <b>6/30/03</b>               |                           | <b>\$ 16,322</b>       |               | <b>5,995</b>        | <b>\$ 85,848</b>       | <b>\$ 89,565</b> |
| <b>Royce Micro-Cap Trust</b> |                           |                        |               |                     |                        |                  |
| 12/14/93                     | Initial Purchase          | \$ 7,500               | \$ 7.500      | 1,000               | \$ 7,250               | \$ 7,500         |
| 10/28/94                     | Rights Offering           | 1,400                  | 7.000         | 200                 |                        |                  |
| 12/19/94                     | Distribution \$0.05       |                        | 6.750         | 9                   | 9,163                  | 8,462            |
| 12/7/95                      | Distribution \$0.36       |                        | 7.500         | 58                  | 11,264                 | 10,136           |
| 12/6/96                      | Distribution \$0.80       |                        | 7.625         | 133                 | 13,132                 | 11,550           |
| 12/5/97                      | Distribution \$1.00       |                        | 10.000        | 140                 | 16,694                 | 15,593           |
| 12/7/98                      | Distribution \$0.29       |                        | 8.625         | 52                  | 16,016                 | 14,129           |
| 12/6/99                      | Distribution \$0.27       |                        | 8.781         | 49                  | 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           |
|                              | Annual distribution total |                        |               |                     |                        |                  |
| 2002                         | \$0.80                    |                        | 9.518         | 180                 |                        |                  |
|                              | Year-to-date distribution |                        |               |                     |                        |                  |
| 2003                         | total \$0.47              |                        | 8.523         | 127                 |                        |                  |

| 6/30/03                  |                      | \$ 8,900 | 2,395    | \$ 25,411 | \$ 23,399 |          |
|--------------------------|----------------------|----------|----------|-----------|-----------|----------|
| <b>Royce Focus Trust</b> |                      |          |          |           |           |          |
| 10/31/96                 | Initial Purchase     | \$ 4,375 | \$ 4,375 | 1,000     | \$ 5,280  | \$ 4,375 |
| 12/31/96                 |                      |          |          |           | 5,520     | 4,594    |
| 12/5/97                  | Distribution \$0.53  |          | 5.250    | 101       | 6,650     | 5,574    |
| 12/31/98                 |                      |          |          |           | 6,199     | 5,367    |
| 12/6/99                  | Distribution \$0.145 |          | 4.750    | 34        | 6,742     | 5,356    |
| 12/6/00                  | Distribution \$0.34  |          | 5.563    | 69        | 8,151     | 6,848    |
| 12/6/01                  | Distribution \$0.14  |          | 6.010    | 28        | 8,969     | 8,193    |
| 12/6/02                  | Distribution \$0.09  |          | 5.640    | 19        |           |          |
| 6/30/03                  |                      | \$ 4,375 | 1,251    | \$ 9,307  | \$ 8,469  |          |

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

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

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## ROYCE VALUE TRUST

### AVERAGE ANNUAL TOTAL RETURNS

Through 6/30/03

|                            |        |
|----------------------------|--------|
| Second Quarter 2003*       | 21.90% |
| Jan-June 2003*             | 13.77  |
| 1-Year                     | -4.01  |
| 3-Year                     | 6.17   |
| 5-Year                     | 6.51   |
| 10-Year                    | 11.21  |
| 15-Year                    | 11.86  |
| Since Inception (11/26/86) | 11.34  |

\*Not annualized.

### RISK/RETURN COMPARISON

3-Year Period ended 6/30/03

|                                | Average Annual Total Return | Standard Deviation | Return Efficiency* |
|--------------------------------|-----------------------------|--------------------|--------------------|
| <b>Royce Value Trust (NAV)</b> | <b>6.2%</b>                 | <b>24.1</b>        | <b>0.26</b>        |

### MANAGER'S DISCUSSION

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

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



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

\*Return Efficiency is the average annual total return divided by the annualized standard deviation over a designated time period.

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

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

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

| <b>CALENDAR YEAR NAV TOTAL RETURNS</b> |            |             |            |
|--|------------|-------------|------------|
| <b>Year</b>                            | <b>RVT</b> | <b>Year</b> | <b>RVT</b> |
| 2002                                   | -15.6%     | 1994        | 0.1        |
| 2001                                   | 15.2       | 1993        | 17.3       |
| 2000                                   | 16.6       | 1992        | 19.3       |
| 1999                                   | 11.7       | 1991        | 38.4       |
| 1998                                   | 3.3        | 1990        | -13.8      |
| 1997                                   | 27.5       | 1989        | 18.3       |
| 1996                                   | 15.5       | 1988        | 22.7       |
| 1995                                   | 21.1       | 1987        | -7.7       |

## PERFORMANCE AND PORTFOLIO REVIEW

## GOOD IDEAS THAT WORKED

Net Realized and Unrealized Gain  
Year-to-Date Through 6/30/03

|                          |             |
|--------------------------|-------------|
| Velcro Industries        | \$3,601,730 |
| Keane                    | 2,314,825   |
| Marvel Enterprises       | 2,228,361   |
| FactSet Research Systems | 2,209,200   |
| E*TRADE Group            | 2,093,000   |

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

## GOOD IDEAS AT THE TIME

Net Realized and Unrealized Loss  
Year-to-Date Through 6/30/03

|                          |             |
|--------------------------|-------------|
| Allegiance Telecom       | \$1,488,021 |
| Payless ShoeSource       | 1,300,264   |
| Covance                  | 861,223     |
| PXRE Group               | 829,789     |
| Sotheby's Holdings Cl. A | 818,522     |

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

**Velcro Industries** □

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

**Keane** □ We like the core business of this consulting, e-business

**Allegiance Telecom** □

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

## PORTFOLIO DIAGNOSTICS

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

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

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

## TOP 10 POSITIONS % of Net Assets

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

|                                   |     |
|-----------------------------------|-----|
| Ash Grove Cement Company<br>Cl. B | 0.7 |
| Allied Waste Industries           | 0.7 |

**PORTFOLIO SECTOR BREAKDOWN****% of Net Assets**

|  |       |
|--|-------|
| Technology                             | 20.2% |
| Industrial Products                    | 13.4  |
| Industrial Services                    | 13.4  |
| Financial Intermediaries               | 9.3   |
| Health                                 | 8.2   |
| Consumer Products                      | 7.0   |
| Natural Resources                      | 6.6   |
| Financial Services                     | 6.2   |
| Consumer Services                      | 5.1   |
| Utilities                              | 0.1   |
| Miscellaneous                          | 1.7   |
| Bonds & Preferred Stocks               | 0.3   |
| Treasuries, Cash & Cash<br>Equivalents | 8.5   |

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

|  |                  |
|--|------------------|
| 48.8 million shares<br>of Common Stock             | \$699<br>million |
| 7.80% Cumulative<br>Preferred Stock                | \$60 million     |
| 7.30% Tax-Advantaged<br>Cumulative Preferred Stock | \$100<br>million |

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**The regular reinvestment of distributions makes a difference!**

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

<sup>2</sup> Reflects the actual market price of one share as it has traded on the NYSE.

**NAV AVERAGE ANNUAL TOTAL RETURNS**

Through 6/30/03

|                            |        |
|----------------------------|--------|
| Second Quarter 2003*       | 27.45% |
| Jan - June 2003*           | 19.32  |
| 1-Year                     | -2.68  |
| 3-Year                     | 8.18   |
| 5-Year                     | 7.02   |
| Since Inception (12/14/93) | 11.88  |

\*Not annualized.

**RISK/RETURN COMPARISON**

3-Year Period ended 6/30/03

|                                    | Average Annual Total Return | Standard Deviation | Return Efficiency* |
|------------------------------------|-----------------------------|--------------------|--------------------|
| <b>Royce Micro-Cap Trust (NAV)</b> | <b>8.2%</b>                 | <b>26.2</b>        | <b>0.31</b>        |
| Russell 2000                       | -3.3%                       | 22.8               | -0.14              |

\*Return Efficiency is the average annual total return divided by the annualized standard deviation over a designated time period.

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

**MANAGER'S DISCUSSION**

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

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

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

scientific, industrial and medical applications.

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

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

## PERFORMANCE AND PORTFOLIO REVIEW

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

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

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

spring.

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

**GOOD IDEAS AT THE TIME**

Net Realized and Unrealized Loss  
Year-to-Date Through 6/30/03

|                           |           |
|---------------------------|-----------|
| On Assignment             | \$596,640 |
| PRG-Schultz International | 563,391   |
| Allegiance Telecom        | 504,321   |
| Syntel                    | 460,066   |
| The Boyds Collection      | 440,720   |

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

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

**The regular reinvestment of distributions makes a difference!**

- <sup>1</sup> Reflects the cumulative performance of an investment made by a stockholder who purchased one share at inception (\$7.50 IPO) and then reinvested distributions as indicated and participated in the primary subscription of the 1994 rights offering.
- <sup>2</sup> Reflects the actual market price of one share as it has traded on the Nasdaq.

Symbol - Market Price  
- NAV

OTCM  
XOTCX

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

**TOP 10 POSITIONS % of Net Assets**

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

**PORTFOLIO SECTOR BREAKDOWN  
% of Net Assets**

|                                  |       |
|----------------------------------|-------|
| Technology                       | 24.0% |
| Industrial Products              | 13.7  |
| Industrial Services              | 12.2  |
| Health                           | 11.2  |
| Consumer Products                | 9.0   |
| Natural Resources                | 8.6   |
| Financial Intermediaries         | 5.1   |
| Consumer Services                | 4.5   |
| Financial Services               | 1.6   |
| Diversified Investment Companies | 0.2   |

|               |     |
|---------------|-----|
| Miscellaneous | 2.9 |
|---------------|-----|

|                  |     |
|------------------|-----|
| Preferred Stocks | 0.5 |
|------------------|-----|

|  |     |
|--|-----|
| Treasuries, Cash & Cash<br>Equivalents | 6.5 |
|--|-----|

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

|  |                  |
|--|------------------|
| 18.5 million shares<br>of Common Stock | \$197<br>million |
|--|------------------|

|                                     |              |
|-------------------------------------|--------------|
| 7.75% Cumulative<br>Preferred Stock | \$40 million |
|-------------------------------------|--------------|

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**ROYCE FOCUS TRUST****NAV AVERAGE ANNUAL TOTAL RETURNS**

Through 6/30/03

|                      |        |
|----------------------|--------|
| Second Quarter 2003* | 28.06% |
|----------------------|--------|

|                |       |
|----------------|-------|
| Jan-June 2003* | 18.66 |
|----------------|-------|

|        |      |
|--------|------|
| 1-Year | 3.40 |
|--------|------|

|        |       |
|--------|-------|
| 3-Year | 11.07 |
|--------|-------|

|        |      |
|--------|------|
| 5-Year | 5.64 |
|--------|------|

|  |      |
|--|------|
| Since Inception (11/1/96) <sup>□</sup> | 8.89 |
|--|------|

\*Not annualized.

□Royce & Associates assumed investment management  
responsibility for the Fund on 11/1/96.**RISK/RETURN COMPARISON**

3-Year Period ended 6/30/03

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

\*Return Efficiency is the average annual total return  
divided by the annualized standard deviation over a  
designated time period.**MANAGER'S DISCUSSION**

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

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

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

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

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

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



**GOOD IDEAS THAT WORKED**

Net Realized and Unrealized Gain  
Year-to-Date Through 6/30/03

|                               |             |
|-------------------------------|-------------|
| Endo Pharmaceuticals Holdings | \$1,374,980 |
| West Corporation              | 856,404     |
| Cornell Companies             | 818,733     |
| E*TRADE Group (Bond)          | 690,000     |
| TSX Group                     | 634,208     |

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

**GOOD IDEAS AT THE TIME**

Net Realized and Unrealized Loss  
Year-to-Date Through 6/30/03

|                           |           |
|---------------------------|-----------|
| Direct Corporation        | \$318,944 |
| Lightspan                 | 279,556   |
| Lincoln Electric Holdings | 258,367   |
| Monaco Coach              | 232,987   |
| Natuzzi ADR               | 198,018   |

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

**Endo Pharmaceuticals Holdings**

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

**West Corporation**

□ We first bought shares

**Direct Corporation**

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

**PORTFOLIO DIAGNOSTICS**

|                              |               |
|------------------------------|---------------|
| Median Market Capitalization | \$812 million |
| Weighted Average P/E Ratio   | 19.6x*        |
| Weighted Average P/B Ratio   | 1.9x          |
| Weighted Average Yield       | 0.5%          |
| Fund Net Assets              | \$89 million  |
| Turnover Rate                | 34%           |
| Net Leverage <sup>□</sup>    | 8%            |

Symbol - Market Price - NAV FUND XFUNX

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

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

**TOP 10 POSITIONS % of Net Assets**

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

**PORTFOLIO SECTOR BREAKDOWN**  
% of Net Assets

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

<sup>1</sup> Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.

<sup>2</sup> Reflects the cumulative performance experience of a continuous common stockholder who reinvested all distributions.

<sup>3</sup> Reflects the actual market price of one share as it has traded on the Nasdaq.

#### CAPITAL STRUCTURE

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

9.2 million shares  
of Common Stock \$69 million

7.45% Cumulative  
Preferred Stock \$20 million

## DISTRIBUTION REINVESTMENT AND CASH PURCHASE OPTIONS FOR COMMON STOCKHOLDERS

### WHY SHOULD I REINVEST MY DISTRIBUTIONS?

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

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

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

### HOW DOES THIS APPLY TO REGISTERED STOCKHOLDERS?

If your shares are registered directly with a Fund, your distributions are automatically reinvested unless you have otherwise instructed the Funds' transfer agent, EquiServe, in writing. A registered

stockholder also has the option to receive the distribution in the form of a stock certificate or in cash if EquiServe is properly notified.

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

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

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

The Distribution Reinvestment and Cash Purchase Plans also allow registered stockholders to make optional cash purchases of shares of a Fund's common stock directly through EquiServe on a monthly basis, and to deposit certificates representing your Fund shares with EquiServe for safekeeping. The Funds' investment adviser is absorbing all commissions on optional cash purchases under the Plans through December 31, 2003.

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

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

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

You can call an Investor Services Representative at (800) 221-4268 or you can request a copy of the Plan for your Fund from EquiServe. All correspondence (including notifications) should be directed to: [Name of Fund] Distribution Reinvestment and Cash Purchase Plan, c/o EquiServe, PO Box 43011, Providence, RI 02940-3011, telephone (800) 426-5523.

**DIRECTORS AND OFFICERS**

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

**NAME AND POSITION:** Charles M. Royce (63), Director\* and President

**Term Expires:** 2003

**Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)

**No. of Funds Overseen:** 18

**Non-Royce Directorships:** None

**Principal Occupation(s) During Past Five Years:**

**NAME AND POSITION:** David L. Meister (63), Director

**Term Expires:** 2003

**Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)

**No. of Funds Overseen:** 18

**Non-Royce Directorships:** None

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President, Chief Investment Officer and Member of Board of Managers of Royce & Associates, LLC (["Royce"]), the Trust's investment adviser.

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

**Principal Occupation(s) During Past Five Years:** Executive Vice President of Legg Mason, Inc.; Member of Board of Managers of Royce; Division President and Senior Officer, Prudential Financial Group, Inc. and related companies, including Fund Boards and consulting services to subsidiary companies (from 1991 to 2000). Mr. Fetting's prior business experience includes having served as Partner, Greenwich Associates and Vice President, T. Rowe Price Group, Inc.

**NAME AND POSITION:** Donald R. Dwight (72), Director  
**Term Expires:** 2005 **Tenure:** Since 1998  
**No. of Funds Overseen:** 18 **Non-Royce Directorships:** None  
**Principal Occupation(s) During Past Five Years:** President of Dwight Partners, Inc., corporate communications consultant; Chairman (from 1982 to March 1998) and Chairman Emeritus (since March 1998) of Newspapers of New England, Inc. Mr. 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 94 Eaton Vance Funds.

**NAME AND POSITION:** Richard M. Galkin (65), Director  
**Term Expires:** 2004 **Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)  
**No. of Funds Overseen:** 18 **Non-Royce Directorships:** None  
**Principal Occupation(s) During Past Five Years:** Private investor. Mr. 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:** Stephen L. Isaacs (63), Director  
**Term Expires:** 2005 (RVT), 2005 (OTCM), 2003 (FUND)  
**No. of Funds Overseen:** 18 **Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)  
**Non-Royce Directorships:** None  
**Principal Occupation(s) During Past Five Years:** President of The Center for Health and Social Policy (since September 1996); Attorney and President of Health Policy Associates, Inc., consultants. Mr. 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:** William L. Koke (68), Director  
**Term Expires:** 2003 (RVT), 2003 (OTCM), 2005 (FUND)  
**No. of Funds Overseen:** 18 **Tenure:** Since 2001 (RVT), 2001 (OTCM), 1997 (FUND)  
**Non-Royce Directorships:** None

**Principal Occupation(s) During Past Five Years:** Chairman and Chief Executive Officer of The Tennis Channel (since June 2000). Chief Executive Officer of Seniorlife.com (from December 1999 to May 2000). Mr. 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:** G. Peter O'Brien (57), Director  
**Term Expires:** 2003 **Tenure:** Since 2001  
**No. of Funds Overseen:** 18 **Non-Royce Directorships:** None

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

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

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

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

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

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

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

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

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

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

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

**Principal Occupation(s) During Past Five Years:**

Financial planner with Shoreline Financial Consultants. Mr. Koke's prior business experience includes having served as Director of Financial Relations of SONAT, Inc., Treasurer of Ward Foods, Inc. and President of CFC, Inc.

\*Interested Director.

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## NOTES TO PERFORMANCE AND STATISTICAL INFORMATION

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### AUTHORIZED SHARE TRANSACTIONS

Each of Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may repurchase up to 300,000 shares of its common stock and up to 10% of the issued and outstanding shares of each series of its preferred stock during the year ending December 31, 2003. Any such repurchases would take place at then prevailing prices in the open market or in other transactions. Common stock repurchases would be effected at a price per share that is less than the share's then current net asset value, and preferred stock repurchases would be effected at a price per share that is less than the share's liquidation value.

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

### NOTES TO PERFORMANCE AND STATISTICAL INFORMATION

All performance information is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results or volatility. Investment return and principal value will fluctuate, so that shares may be worth more or less than their original cost when sold. The Royce Funds invest primarily in securities of small-cap and/or micro-cap companies that may involve considerably more risk than investments in securities of larger-cap companies. The thoughts expressed in this report concerning recent market movements and future prospects for small company stocks are solely the current opinion of Royce, and, of course, historical market trends are not necessarily indicative of future market movements. Statements regarding the future prospects for particular securities held in the Funds' portfolios and Royce's investment intentions with respect to those securities reflect Royce's opinions as of June 30, 2003 and are subject to change at any time without notice. There can be no assurance that securities mentioned in this report will be included

in any Royce-managed portfolio in the future.

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

The Russell 2000, Russell 2000 Value, Russell 2000 Growth, Nasdaq Composite, and S&P 500 are unmanaged indices of domestic common stocks. CRSP (Center for Research in Security Pricing) divides the U.S. equity market into 10 deciles. Deciles 1-5 represent the largest domestic equity companies and deciles 6-10 represent the smallest. By way of comparison, the CRSP 1-5 would have similar capitalization parameters to the S&P 500 and the CRSP 6-10 would approximately match those of the Russell 2000. Returns for the market indices used in this report were based on information supplied to Royce by Frank Russell, CRSP and Morningstar. Royce has not independently verified the above described information. The Royce Funds is a service mark of The Royce Funds.

## FORWARD-LOOKING STATEMENTS

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

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

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

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

## SCHEDULES OF INVESTMENTS

JUNE 30, 2003 (UNAUDITED)

## COMMON STOCKS □ 91.2%

|  | SHARES  | VALUE        |   | SHARES  | VALUE             |
|--|---------|--------------|---|---------|-------------------|
| <b>Consumer Products □ 7.0%</b>                      |         |              | Shuffle Master <sup>a,d</sup>             | 5,000   | \$ 146,950        |
| Apparel and Shoes - 2.5%                             |         |              | TiVo <sup>a</sup>                         | 17,000  | 209,950           |
| Jones Apparel Group <sup>a</sup>                     | 81,500  | \$ 2,384,690 |   |         |                   |
| K-Swiss Cl. A  | 119,000 | 4,107,880    |   |         | 4,163,495         |
| Nautica Enterprises <sup>a</sup>                     | 83,700  | 1,073,871    |   |         |                   |
| Oshkosh B'Gosh Cl. A                                 | 104,300 | 2,816,100    | Restaurants/Lodgings - 1.4%               |         |                   |
| Polo Ralph Lauren Cl. A                              | 150,000 | 3,868,500    | Benihana Cl. A <sup>a,d</sup>             | 57,500  | 759,000           |
| Timberland Company Cl. A <sup>a</sup>                | 10,000  | 528,600      | CEC Entertainment <sup>a</sup>            | 30,000  | 1,107,900         |
| <b>Weyco Group</b>                                   | 112,664 | 5,183,671    | Four Seasons Hotels <sup>d</sup>          | 80,000  | 3,460,800         |
| Wolverine World Wide                                 | 94,400  | 1,818,144    | <b>IHOP Corporation</b> <sup>d</sup>      | 161,700 | 5,104,869         |
|  |         | 21,781,456   | Jack in the Box <sup>a</sup>              | 10,000  | 223,000           |
|  |         |              | Prime Hospitality <sup>a,d</sup>          | 106,100 | 711,931           |
|  |         |              | Ryan's Family Steak Houses <sup>a,d</sup> | 48,900  | 684,600           |
| Collectibles - 0.2%                                  |         |              |   |         |                   |
| The Boyds Collection <sup>a</sup>                    | 234,200 | 1,103,082    |   |         | 12,052,100        |
| Enesco Group <sup>a</sup>                            | 117,200 | 867,280      |   |         |                   |
|  |         | 1,970,362    | Retail Stores - 2.3%                      |         |                   |
|  |         |              | Big Lots <sup>a</sup>                     | 307,200 | 4,620,288         |
| Food/Beverage/Tobacco - 0.6%                         |         |              | Charming Shoppes <sup>a,d</sup>           | 803,400 | 3,992,898         |
| 800 JR Cigar <sup>a,e</sup>                          | 172,400 | 2,241,200    | Claire's Stores                           | 127,700 | 3,238,472         |
| Hain Celestial Group <sup>a</sup>                    | 37,800  | 604,422      | Payless ShoeSource <sup>a</sup>           | 289,600 | 3,620,000         |
| Hershey Creamery                                     | 709     | 1,772,500    | Stein Mart <sup>a</sup>                   | 192,800 | 1,154,872         |
| Lancaster Colony                                     | 16,900  | 653,354      | Urban Outfitters <sup>a,d</sup>           | 83,800  | 3,008,420         |
|  |         | 5,271,476    |   |         | 19,634,950        |
|  |         |              | Other Consumer Services - 0.9%            |         |                   |
| Home Furnishing/Appliances - 1.1%                    |         |              | ITT Educational Services <sup>a</sup>     | 120,000 | 3,510,000         |
| Bassett Furniture Industries                         | 116,675 | 1,549,444    | Sotheby's Holdings Cl. A <sup>a,d</sup>   | 540,200 | 4,019,088         |
| Falcon Products <sup>a,c</sup>                       | 782,600 | 3,310,398    | Strayer Education                         | 10,000  | 794,500           |
| La-Z-Boy <sup>d</sup>                                | 68,200  | 1,526,316    |   |         | 8,323,588         |
| Lifetime Hoan <sup>d</sup>                           | 295,327 | 2,250,392    |   |         |                   |
| Natuzzi ADR <sup>b</sup>                             | 62,200  | 498,844      |   |         |                   |
|  |         | 9,135,394    | <b>Total (Cost \$42,102,506)</b>          |         | <b>44,174,133</b> |
|  |         |              | <b>Financial Intermediaries □ 9.3%</b>    |         |                   |
| Publishing - 0.5%                                    |         |              | Banking - 2.3%                            |         |                   |
| Martha Stewart Living Omnimedia Cl. A <sup>a,d</sup> | 6,000   | 56,340       | BOK Financial <sup>a</sup>                | 125,561 | 4,842,888         |
| Scholastic Corporation <sup>a</sup>                  | 130,000 | 3,871,400    | Farmers & Merchants Bank of Long Beach    | 1,266   | 4,665,210         |
|  |         | 3,927,740    | First National Bank Alaska                | 2,130   | 3,197,130         |
|  |         |              | Mechanics Bank                            | 200     | 3,500,000         |



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|   |         |            |  |         |            |
|---|---------|------------|--|---------|------------|
| Sports and Recreation - 0.7%                |         |            | Mercantile Bankshares                          | 20,000  | 787,600    |
| Callaway Golf                               | 35,000  | 462,700    | NetBank  | 70,000  | 921,200    |
| Coachmen Industries                         | 67,700  | 809,015    | Oriental Financial Group                       | 79,750  | 2,048,777  |
| Fleetwood Enterprises <sup>a,d</sup>        | 234,300 | 1,733,820  |  |         | 19,962,805 |
| Monaco Coach <sup>a</sup>                   | 141,050 | 2,162,296  | Insurance - 6.3%                               |         |            |
| Thor Industries                             | 22,100  | 902,122    | Argonaut Group <sup>a</sup>                    | 187,000 | 2,305,710  |
|   |         | 6,069,953  | <b>Erie Indemnity Company Cl. A</b>            | 169,900 | 7,008,375  |
| Other Consumer Products - 1.4%              |         |            | Everest Re Group                               | 12,600  | 963,900    |
| Blyth                                       | 54,700  | 1,487,840  | Fidelity National Financial                    | 12,843  | 395,051    |
| Burnham Corporation Cl. B                   | 18,000  | 859,500    | First American                                 | 31,700  | 835,295    |
| Fossil <sup>a</sup>                         | 15,000  | 353,400    | Leucadia National                              | 51,500  | 1,911,680  |
| Lazare Kaplan International <sup>a</sup>    | 103,600 | 600,880    | Markel Corporation <sup>a</sup>                | 4,200   | 1,075,200  |
| Matthews International Cl. A                | 196,000 | 4,852,960  | Montpelier Re Holdings <sup>a</sup>            | 53,000  | 1,674,800  |
| Oakley <sup>a</sup>                         | 243,100 | 2,861,287  | NYMAGIC  | 85,200  | 1,726,152  |
| Scotts (The) Cl. A <sup>a</sup>             | 20,000  | 990,000    | Navigators Group <sup>a</sup>                  | 83,200  | 2,481,024  |
|   |         | 12,005,867 | PICO Holdings <sup>a</sup>                     | 154,300 | 2,005,900  |
| <b>Total</b> (Cost \$42,721,425)            |         | 60,162,248 | PMA Capital Cl. A <sup>d</sup>                 | 231,700 | 2,912,469  |
|   |         |            | PXRE Group                                     | 176,551 | 3,495,710  |
| <b>Consumer Services</b> □ 5.1%             |         |            | Philadelphia Consolidated Holding <sup>a</sup> | 35,000  | 1,414,000  |
| Leisure/Entertainment - 0.5%                |         |            | The Phoenix Companies <sup>d</sup>             | 81,900  | 739,557    |
| Ascent Media Group Cl. A <sup>a,d</sup>     | 380,900 | 472,316    | <b>ProAssurance Corporation</b>                |         |            |
| Corus Entertainment Cl. B <sup>a,d</sup>    | 22,000  | 370,920    | <sup>a</sup>                                   | 202,070 | 5,453,869  |
| Gemstar-TV Guide International <sup>a</sup> | 215,100 | 1,094,859  | RLI  | 118,724 | 3,906,020  |
| Hasbro                                      | 50,000  | 874,500    | Reinsurance Group of America <sup>d</sup>      | 30,000  | 963,000    |
| Magna Entertainment Cl. A <sup>a</sup>      | 198,800 | 994,000    | Trenwick Group <sup>a,d</sup>                  | 212,260 | 65,801     |
|   |         |            | Wesco Financial                                | 9,850   | 3,073,200  |

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**ROYCE VALUE TRUST, INC.**

**SCHEDULE OF INVESTMENTS**

**JUNE 30, 2003 (UNAUDITED)**

|   | SHARES | VALUE |                           | SHARES | VALUE        |
|---|--------|-------|---------------------------|--------|--------------|
| <b>Financial Intermediaries (continued)</b> |        |       |                           |        |              |
| Insurance (continued)                       |        |       | Affymetrix <sup>a,d</sup> | 96,600 | \$ 1,903,986 |
|   |        |       | Antigenics <sup>a,d</sup> | 38,500 | 443,520      |



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|   |         |              |  |         |            |
|---|---------|--------------|--|---------|------------|
| <b>White Mountains Insurance Group</b> <sup>d</sup> |         |              |  |         |            |
| Zenith National Insurance                           | 16,900  | \$ 6,675,500 | Applera Corporation - Celera Genomics Group    | 199,200 | 2,055,744  |
|   | 106,900 | 3,046,650    | Biopure Corporation Cl. A <sup>a,d</sup>       | 43,200  | 263,952    |
|   |         | 54,128,863   | BioSource International                        | 1,600   | 11,040     |
|   |         |              | Celgene Corporation                            | 40,000  | 1,216,000  |
| Securities Brokers - 0.6%                           |         |              | Cephalon                                       | 4,900   | 201,684    |
| E*TRADE Group                                       | 575,000 | 4,887,500    | Cerus Corporation                              | 21,700  | 163,401    |
| Knight Trading Group                                | 115,000 | 715,300      | Chiron Corporation                             | 21,800  | 953,096    |
|   |         | 5,602,800    | DUSA Pharmaceuticals                           | 79,700  | 200,047    |
|   |         |              | Endo Pharmaceuticals Holdings                  | 120,000 | 2,030,400  |
| Other Financial Intermediaries - 0.1%               |         |              | Genzyme Corporation - General Division         | 28,000  | 1,170,400  |
| Chicago Mercantile Exchange                         | 10,000  | 696,300      | Human Genome Sciences                          | 90,000  | 1,144,800  |
|   |         |              | IDEC Pharmaceuticals <sup>a,d</sup>            | 28,100  | 955,400    |
| <b>Total</b> (Cost \$50,876,045)                    |         | 80,390,768   | Invitrogen Corporation                         | 40,000  | 1,534,800  |
|   |         |              | Lexicon Genetics                               | 256,200 | 1,719,102  |
| <b>Financial Services</b> $\square$ 6.2%            |         |              | Millennium Pharmaceuticals                     | 50,000  | 786,500    |
| Information and Processing - 2.1%                   |         |              | Perrigo Company                                | 169,900 | 2,657,236  |
| BARRA   | 42,200  | 1,506,540    | Shire Pharmaceuticals Group ADR <sup>a,b</sup> | 20,853  | 410,804    |
| eFunds Corporation                                  | 167,675 | 1,933,293    |  |         | 20,220,532 |
| <b>FactSet Research Systems</b> <sup>d</sup>        | 140,000 | 6,167,000    |  |         |            |
| Fair Isaac  | 5,190   | 267,025      | Health Services - 1.3%                         |         |            |
| Global Payments                                     | 61,500  | 2,183,250    | Accredo Health                                 | 8,705   | 189,769    |
| Moody's Corporation                                 | 50,000  | 2,635,500    | Albany Molecular Research                      | 65,000  | 981,500    |
| National Processing <sup>a,d</sup>                  | 20,000  | 321,600      | First Consulting Group                         | 315,900 | 1,475,253  |
| SEI Investments                                     | 93,200  | 2,982,400    | Gene Logic <sup>a,d</sup>                      | 138,100 | 824,457    |
|   |         | 17,996,608   | Gentiva Health Services                        | 30,150  | 271,350    |
|   |         |              | Health Management Associates Cl. A             | 27,400  | 505,530    |
| Insurance Brokers - 1.0%                            |         |              | IMPACT <sup>a,d</sup>                          | 93,000  | 1,315,020  |
| Brown & Brown                                       | 20,000  | 650,000      | Lincare Holdings                               | 24,600  | 775,146    |
| Crawford & Co. Cl. A                                | 297,350 | 1,442,147    | Manor Care                                     | 58,300  | 1,458,083  |
| Crawford & Co. Cl. B                                | 75,300  | 369,723      | MedQuist                                       | 73,893  | 1,495,594  |
| Gallagher (Arthur J.) & Company                     | 106,200 | 2,888,640    | On Assignment                                  | 293,200 | 1,172,800  |
| Hilb, Rogal & Hamilton                              | 105,550 | 3,592,922    | Quovadx  | 168,400 | 503,516    |
|   |         | 8,943,432    |  |         | 10,968,018 |
|   |         |              | Personal Care - 0.6%                           |         |            |
| Investment Management - 2.7%                        |         |              | Ocular Sciences <sup>a,d</sup>                 | 177,500 | 3,523,375  |
| Affiliated Managers Group <sup>a,d</sup>            | 60,000  | 3,657,000    | Regis  | 57,200  | 1,661,660  |
| Alliance Capital Management Holding L.P.            | 139,000 | 5,073,500    |  |         | 5,185,035  |
| BKF Capital Group                                   | 94,000  | 2,052,020    |  |         |            |
| BlackRock Cl. A <sup>a,d</sup>                      | 35,000  | 1,576,400    | Surgical Products and Devices - 2.4%           |         |            |
| Eaton Vance   | 80,200  | 2,534,320    | Allied Healthcare Products                     | 60,000  | 214,200    |
| Federated Investors Cl. B                           | 35,000  | 959,700      | <b>Arrow International</b>                     | 151,100 | 6,671,065  |
| Neuberger Berman                                    | 105,000 | 4,190,550    |  |         |            |

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|   |         |                   |   |         |                   |
|---|---------|-------------------|---|---------|-------------------|
| Nuveen Investments Cl. A                        | 119,200 | 3,247,008         | CONMED Corporation <sup>a</sup>                       | 38,500  | 703,010           |
|   |         |                   | Datascope   | 34,000  | 1,009,460         |
|   |         | 23,290,498        | Diagnostic Products                                   | 25,000  | 1,026,250         |
|   |         |                   | Haemonetics <sup>a</sup>                              | 92,900  | 1,737,230         |
| Other Financial Services - 0.4%                 |         |                   | Invacare  | 100,000 | 3,300,000         |
| PRG-Schultz International <sup>a,d</sup>        | 284,200 | 1,676,780         | Novoste <sup>a</sup>                                  | 66,500  | 399,000           |
| Van der Moolen Holding ADR <sup>b</sup>         | 119,000 | 1,642,200         | STERIS <sup>a</sup>                                   | 48,600  | 1,122,174         |
|   |         | 3,318,980         | Varian Medical Systems <sup>a</sup>                   | 60,800  | 3,500,256         |
|   |         |                   | Zoll Medical <sup>a</sup>                             | 20,200  | 677,912           |
| <b>Total (Cost \$37,351,067)</b>                |         | <b>53,549,518</b> |   |         | <b>20,360,557</b> |
| <b>Health <math>\square</math> 8.2%</b>         |         |                   | <b>Total (Cost \$60,623,736)</b>                      |         | <b>70,104,985</b> |
| Commercial Services - 1.6%                      |         |                   | <b>Industrial Products <math>\square</math> 13.4%</b> |         |                   |
| IDEXX Laboratories <sup>a</sup>                 | 104,100 | 3,506,088         | Building Systems and Components - 1.1%                |         |                   |
| PAREXEL International <sup>a,d</sup>            | 277,700 | 3,873,915         | Decker Manufacturing                                  | 6,022   | 198,726           |
| Pharmaceutical Product Development <sup>a</sup> | 10,000  | 287,300           | Preformed Line Products Company                       | 131,600 | 1,928,598         |
| Quintiles Transnational <sup>a</sup>            | 130,300 | 1,848,957         | <b>Simpson Manufacturing <sup>a,d</sup></b>           | 190,400 | 6,968,640         |
| Sybron Dental Specialties <sup>a,d</sup>        | 21,000  | 495,600           |   |         |                   |
| The TriZetto Group <sup>a</sup>                 | 190,200 | 1,148,808         |   |         |                   |
| Young Innovations <sup>a</sup>                  | 77,550  | 2,210,175         |   |         | 9,095,964         |
|   |         | 13,370,843        |   |         |                   |
| Drugs and Biotech - 2.3%                        |         |                   |   |         |                   |
| Abgenix <sup>a,d</sup>                          | 38,000  | 398,620           |   |         |                   |

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**ROYCE VALUE TRUST, INC.**

**SCHEDULE OF INVESTMENTS**

**JUNE 30, 2003 (UNAUDITED)**

|  | SHARES | VALUE        |                                    | SHARES  | VALUE        |
|--|--------|--------------|------------------------------------|---------|--------------|
| <b>Industrial Products (continued)</b> |        |              | Diebold                            | 100,000 | \$ 4,325,000 |
| Construction Materials - 1.8%          |        |              | IMPCO Technologies <sup>a</sup>    | 15,500  | 95,480       |
| <b>Ash Grove Cement Company Cl. B</b>  | 50,518 | \$ 5,961,124 | <b>Kimball International Cl. B</b> | 334,880 | 5,224,128    |

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|  |         |            |  |         |             |
|--|---------|------------|--|---------|-------------|
| ElkCorp                                  | 25,000  | 562,500    | Maxwell Technologies <sup>a,d</sup>                | 21,500  | 123,840     |
| <b>Florida Rock Industries</b>           | 153,800 | 6,348,864  | Myers Industries                                   | 52,727  | 500,907     |
| Oregon Steel Mills <sup>a</sup>          | 247,900 | 718,910    | Peerless Mfg. <sup>a,c</sup>                       | 158,600 | 1,752,530   |
| Synalloy Corporation <sup>a,c</sup>      | 345,000 | 1,873,350  | Quantum Fuel Systems Technologies                  |         |             |
|  |         | <hr/>      | Worldwide <sup>a,d</sup>                           | 15,500  | 34,565      |
|  |         | 15,464,748 | Steelcase Cl. A <sup>d</sup>                       | 82,500  | 970,200     |
|  |         |            | Trinity Industries <sup>d</sup>                    | 20,000  | 370,200     |
| Industrial Components - 1.8%             |         |            |  |         | <hr/>       |
| Bel Fuse Cl. A                           | 53,200  | 1,090,600  |  |         | 21,421,802  |
| Belden <sup>d</sup>                      | 95,800  | 1,522,262  |  |         | <hr/>       |
| C & D Technologies                       | 50,000  | 718,000    | <b>Total (Cost \$83,669,214)</b>                   |         | 115,236,150 |
| Donaldson Company                        | 26,000  | 1,155,700  |  |         | <hr/>       |
| Kaydon Corporation                       | 171,200 | 3,560,960  | <b>Industrial Services □ 13.4%</b>                 |         |             |
| Penn Engineering & Manufacturing         | 251,600 | 3,434,340  | Advertising/Publishing - 0.7%                      |         |             |
| Penn Engineering & Manufacturing Cl. A   | 77,600  | 942,064    | Catalina Marketing <sup>a,d</sup>                  | 60,000  | 1,059,000   |
| PerkinElmer                              | 135,000 | 1,864,350  | Cordiant Communications Group ADR <sup>a,b</sup>   | 100,000 | 28,000      |
| Powell Industries <sup>a</sup>           | 57,400  | 840,336    | Grey Global Group                                  | 3,817   | 2,948,671   |
| Woodhead Industries                      | 45,400  | 568,408    | Interpublic Group of Companies <sup>a</sup>        | 155,000 | 2,073,900   |
|  |         | <hr/>      |  |         | <hr/>       |
|  |         | 15,697,020 |  |         | 6,109,571   |
|  |         | <hr/>      |  |         | <hr/>       |
| Machinery - 3.5%                         |         |            | Commercial Services - 5.0%                         |         |             |
| Cognex Corporation <sup>a</sup>          | 163,400 | 3,651,990  | ABM Industries <sup>d</sup>                        | 119,200 | 1,835,680   |
| <b>Coherent</b> <sup>a</sup>             | 233,700 | 5,534,016  | <b>Allied Waste Industries</b> <sup>a</sup>        | 569,800 | 5,726,490   |
| Federal Signal <sup>d</sup>              | 58,600  | 1,029,602  | Carlisle Holdings <sup>a</sup>                     | 204,900 | 676,170     |
| Graco                                    | 26,550  | 849,600    | Central Parking <sup>d</sup>                       | 171,400 | 2,118,504   |
| Lincoln Electric Holdings                | 237,880 | 4,855,131  | Convergys Corporation <sup>a</sup>                 | 156,000 | 2,496,000   |
| National Instruments <sup>a,d</sup>      | 41,100  | 1,552,758  | Core Laboratories <sup>a</sup>                     | 125,200 | 1,352,160   |
| Nordson Corporation                      | 172,200 | 4,106,970  | Cornell Companies <sup>a</sup>                     | 124,400 | 1,883,416   |
| Oshkosh Truck                            | 13,000  | 771,160    | Covance <sup>a</sup>                               | 132,700 | 2,401,870   |
| PAXAR Corporation <sup>a</sup>           | 370,100 | 4,071,100  | Hewitt Associates Cl. A <sup>a</sup>               | 40,000  | 942,000     |
| Woodward Governor                        | 83,600  | 3,594,800  | Hudson Highland Group <sup>a,d</sup>               | 11,174  | 212,418     |
|  |         | <hr/>      | iGATE Corporation <sup>a</sup>                     | 144,500 | 501,415     |
|  |         | 30,017,127 | Iron Mountain <sup>a</sup>                         | 127,450 | 4,727,120   |
|  |         | <hr/>      | Korn/Ferry International <sup>a</sup>              | 189,400 | 1,534,140   |
| Paper and Packaging - 0.4%               |         |            | Learning Tree International <sup>a,d</sup>         | 53,400  | 834,642     |
| Peak International <sup>a</sup>          | 408,400 | 1,816,972  | MPS Group <sup>a</sup>                             | 539,300 | 3,710,384   |
| Sealed Air <sup>a</sup>                  | 34,000  | 1,620,440  | Manpower   | 55,800  | 2,069,622   |
|  |         | <hr/>      | Metro One  |         |             |
|  |         | 3,437,412  | Telecommunications <sup>a,d</sup>                  | 25,000  | 129,000     |
|  |         | <hr/>      | Monster Worldwide <sup>a</sup>                     | 149,000 | 2,939,770   |
|  |         |            | New Horizons Worldwide <sup>a</sup>                | 136,500 | 584,220     |
| Pumps, Valves and Bearings - 0.7%        |         |            | RemedyTemp Cl. A <sup>a,d</sup>                    | 78,500  | 724,555     |
| Baldor Electric                          | 62,900  | 1,295,740  | Renaissance Learning <sup>a,d</sup>                | 10,000  | 219,000     |
| ConBraCo Industries                      | 7,630   | 587,510    | Spherion Corporation <sup>a</sup>                  | 109,000 | 757,550     |
| Denison International ADR <sup>a,b</sup> | 79,400  | 1,528,450  | TRC Companies <sup>a,d</sup>                       | 53,000  | 782,280     |
| Franklin Electric                        | 23,600  | 1,313,340  | United Stationers <sup>a</sup>                     | 23,000  | 831,910     |
| NN                                       | 127,100 | 1,609,086  | Wackenhut Corrections <sup>a</sup>                 | 21,100  | 289,281     |
|  |         | <hr/>      | Watson Wyatt & Company Holdings Cl. A <sup>a</sup> | 45,000  | 1,043,100   |
|  |         | 6,334,126  | West Corporation <sup>a</sup>                      | 75,000  | 1,998,750   |
|  |         | <hr/>      |  |         | <hr/>       |

|  |         |            |   |         |            |
|--|---------|------------|---|---------|------------|
| Specialty Chemicals and Materials - 1.2% |         |            |   |         | 43,321,447 |
| Arch Chemicals                           | 38,200  | 729,620    |   |         |            |
| CFC International <sup>a</sup>           | 123,500 | 666,900    | Engineering and Construction - 0.5%         |         |            |
| Commercial Metals                        | 5,000   | 88,950     | EMCOR Group <sup>a</sup>                    | 15,000  | 740,400    |
| Hawkins                                  | 301,278 | 3,018,806  | Jacobs Engineering Group <sup>a</sup>       | 20,000  | 843,000    |
| <b>MacDermid</b>                         | 211,631 | 5,565,895  | McDermott International <sup>a</sup>        | 71,000  | 449,430    |
|  |         |            | Washington Group International <sup>a</sup> | 100,000 | 2,196,000  |
|  |         | 10,070,171 |   |         | 4,228,830  |
| Textiles - 0.4%                          |         |            |   |         |            |
| Fab Industries <sup>a</sup>              | 209,800 | 1,930,160  | Food/Tobacco Processors - 0.9%              |         |            |
| Unifi <sup>a</sup>                       | 285,100 | 1,767,620  | <b>Farmer Bros.</b>                         | 15,000  | 5,089,350  |
|  |         | 3,697,780  | MGP Ingredients                             | 321,200 | 2,805,682  |
| Other Industrial Products - 2.5%         |         |            |   |         | 7,895,032  |
| BHA Group Holdings                       | 187,252 | 3,709,462  |   |         |            |
| Brady Corporation Cl. A                  | 129,400 | 4,315,490  |   |         |            |

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## ROYCE VALUE TRUST, INC.

### SCHEDULE OF INVESTMENTS

JUNE 30, 2003 (UNAUDITED)

|   | SHARES  | VALUE        |                                   | SHARES  | VALUE        |
|---|---------|--------------|-----------------------------------|---------|--------------|
| <b>Industrial Services (continued)</b>        |         |              |                                   |         |              |
| Industrial Distribution - 1.1%                |         |              | Veritas DGC <sup>a</sup>          | 123,000 | \$ 1,414,500 |
| Central Steel & Wire                          | 3,699   | \$ 1,387,125 | Vintage Petroleum                 | 48,300  | 544,824      |
| <b>Ritchie Bros. Auctioneers</b> <sup>a</sup> | 155,200 | 5,976,752    |                                   |         | 17,356,686   |
| Strategic Distribution <sup>a</sup>           | 115,000 | 1,870,015    |                                   |         |              |
|   |         | 9,233,892    | Precious Metals and Mining - 0.7% |         |              |
|   |         |              | AngloGold ADR <sup>b,d</sup>      | 111,900 | 3,569,610    |
|   |         |              | Glamis Gold <sup>a</sup>          | 115,000 | 1,319,050    |
| Printing - 1.5%                               |         |              | Gold Fields ADR <sup>b</sup>      | 57,800  | 704,004      |

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|   |         |             |   |         |            |
|---|---------|-------------|---|---------|------------|
| Bowne & Co.                                 | 383,100 | 4,991,793   | MK Gold <sup>a</sup>                      | 517,900 | 393,604    |
| Ennis Business Forms                        | 62,700  | 912,285     | Stillwater Mining <sup>a</sup>            | 60,000  | 308,400    |
| Moore Wallace <sup>a</sup>                  | 90,700  | 1,331,476   |   |         |            |
| <b>New England Business Service</b>         | 178,300 | 5,349,000   |   |         | 6,294,668  |
|   |         | 12,584,554  | Real Estate - 1.2%                        |         |            |
| Transportation and Logistics - 3.1%         |         |             | Alico                                     | 52,000  | 1,283,880  |
| Airborne                                    | 100,000 | 2,090,000   | Chelsea Property Group                    | 55,000  | 2,217,050  |
| AirNet Systems <sup>a</sup>                 | 219,000 | 886,950     | Consolidated-Tomoka Land                  | 13,564  | 340,728    |
| Atlas Air Worldwide Holdings <sup>a,d</sup> | 210,000 | 308,700     | Public Storage                            | 45,000  | 1,524,150  |
| Brink's Company (The)                       | 137,278 | 2,000,140   | Trammell Crow Company <sup>a</sup>        | 432,400 | 4,587,764  |
| C. H. Robinson Worldwide                    | 40,000  | 1,422,400   |   |         | 9,953,572  |
| CNF   | 62,600  | 1,588,788   |   |         |            |
| Continental Airlines Cl. B <sup>a,d</sup>   | 150,000 | 2,245,500   | <b>Total (Cost \$41,719,336)</b>          |         | 56,991,877 |
| EGL <sup>a,d</sup>                          | 198,525 | 3,017,580   | <b>Technology □ 20.2%</b>                 |         |            |
| Forward Air <sup>a,d</sup>                  | 148,000 | 3,754,760   | Aerospace/Defense - 0.9%                  |         |            |
| Frozen Food Express Industries <sup>a</sup> | 306,635 | 968,967     | Curtiss-Wright <sup>d</sup>               | 58,300  | 3,684,560  |
| Hub Group Cl. A <sup>a</sup>                | 77,000  | 676,060     | Ducommun <sup>a</sup>                     | 117,200 | 1,652,520  |
| Landstar System <sup>a</sup>                | 33,800  | 2,124,330   | Herley Industries <sup>a</sup>            | 32,000  | 543,360    |
| Patriot Transportation Holding <sup>a</sup> | 136,300 | 3,842,297   | Integral Systems <sup>a</sup>             | 74,800  | 1,487,024  |
| UTI Worldwide                               | 45,000  | 1,403,550   |   |         |            |
|   |         | 26,330,022  |   |         | 7,367,464  |
| Other Industrial Services - 0.6%            |         |             | Components and Systems - 5.4%             |         |            |
| Landauer                                    | 117,900 | 4,931,757   | Adaptec <sup>a,d</sup>                    | 99,500  | 774,110    |
| Republic Services <sup>a</sup>              | 18,600  | 421,662     | Advanced Digital Information <sup>a</sup> | 79,000  | 789,210    |
|   |         | 5,353,419   | American Power Conversion                 | 231,200 | 3,604,408  |
| <b>Total (Cost \$90,768,813)</b>            |         | 115,056,767 | Analogic Corporation                      | 5,000   | 243,800    |
| <b>Natural Resources □ 6.6%</b>             |         |             | Catapult Communications <sup>a</sup>      | 75,100  | 797,562    |
| Energy Services - 2.7%                      |         |             | Dionex Corporation <sup>a</sup>           | 89,000  | 3,537,750  |
| Carbo Ceramics <sup>d</sup>                 | 105,600 | 3,933,600   | Excel Technology <sup>a</sup>             | 168,500 | 3,846,855  |
| ENSCO International                         | 6,443   | 173,317     | Imation Corporation                       | 35,700  | 1,350,174  |
| Global Industries <sup>a</sup>              | 119,500 | 575,990     | InFocus Corporation <sup>a</sup>          | 79,000  | 372,880    |
| Hanover Compressor Company <sup>a</sup>     | 175,000 | 1,977,500   | KEMET Corporation <sup>a,d</sup>          | 135,000 | 1,363,500  |
| Helmerich & Payne                           | 98,400  | 2,873,280   | Kronos <sup>a</sup>                       | 35,850  | 1,821,538  |
| Input/Output <sup>a</sup>                   | 540,100 | 2,905,738   | Methode Electronics Cl. A                 | 50,000  | 537,500    |
| Precision Drilling <sup>a</sup>             | 37,500  | 1,416,000   | Newport Corporation <sup>a,d</sup>        | 102,600 | 1,518,480  |
| TETRA Technologies <sup>a</sup>             | 49,000  | 1,452,850   | Pemstar <sup>a,d</sup>                    | 220,000 | 921,800    |
| Tidewater                                   | 21,600  | 634,392     | Perceptron <sup>a</sup>                   | 397,400 | 2,384,400  |
| Universal Compression Holdings <sup>a</sup> | 115,000 | 2,398,900   | Radiant Systems <sup>a</sup>              | 47,500  | 320,150    |
| Willbros Group <sup>a</sup>                 | 485,600 | 5,045,384   | Rainbow Technologies <sup>a</sup>         | 116,900 | 983,129    |
|   |         | 23,386,951  | REMEC <sup>a,d</sup>                      | 214,200 | 1,490,832  |
|   |         |             | Scitex <sup>a</sup>                       | 245,700 | 624,078    |
|   |         |             | Storage Technology <sup>a</sup>           | 90,000  | 2,316,600  |
|   |         |             | Symbol Technologies                       | 304,900 | 3,966,749  |
|   |         |             | TTM Technologies <sup>a</sup>             | 280,500 | 1,315,545  |
|   |         |             | Technitrol <sup>a</sup>                   | 285,900 | 4,302,795  |

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|                                 |         |           |                                       |         |            |
|---------------------------------|---------|-----------|---------------------------------------|---------|------------|
| Oil and Gas - 2.0%              |         |           | Tektronix <sup>a</sup>                | 65,000  | 1,404,000  |
| Tom Brown <sup>a</sup>          | 76,000  | 2,112,040 | Vishay Intertechnology <sup>a</sup>   | 83,900  | 1,107,480  |
| Chesapeake Energy <sup>d</sup>  | 73,000  | 737,300   | Zebra Technologies Cl. A <sup>a</sup> | 62,500  | 4,699,375  |
| Cimarex Energy <sup>a</sup>     | 138,170 | 3,281,537 |                                       |         |            |
| Denbury Resources <sup>a</sup>  | 352,600 | 4,735,418 |                                       |         | 46,394,700 |
| EOG Resources                   | 5,000   | 209,200   |                                       |         |            |
| EnCana Corporation              | 21,638  | 830,250   | Distribution - 2.5%                   |         |            |
| Husky Energy                    | 85,000  | 1,097,179 | Anixter International <sup>a,d</sup>  | 41,900  | 981,717    |
| PetroCorp <sup>a</sup>          | 154,900 | 1,727,135 | Arrow Electronics <sup>a</sup>        | 316,100 | 4,817,364  |
| Prima Energy <sup>a</sup>       | 17,500  | 365,400   | <b>Avnet</b> <sup>a,d</sup>           | 405,355 | 5,139,901  |
| Toreador Resources <sup>a</sup> | 100,300 | 301,903   | Benchmark Electronics <sup>a</sup>    | 45,400  | 1,396,504  |

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**ROYCE VALUE TRUST, INC.**

**SCHEDULE OF INVESTMENTS**

**JUNE 30, 2003 (UNAUDITED)**

|   | SHARES  | VALUE      |   | SHARES  | VALUE      |
|---|---------|------------|---|---------|------------|
| <b>Technology (continued)</b>               |         |            | ParthusCeva <sup>a</sup>                          | 31,666  | \$ 258,078 |
| Distribution (continued)                    |         |            | Semitoool <sup>a</sup>                            | 50,000  | 246,500    |
| Brightpoint <sup>a</sup>                    | 11,286  | \$ 138,818 | Veeco Instruments <sup>a,d</sup>                  | 65,000  | 1,106,950  |
| Insight Enterprises <sup>a</sup>            | 71,500  | 719,290    |   |         |            |
| Plexus <sup>a</sup>                         | 274,600 | 3,166,138  |   |         | 24,937,850 |
| <b>Tech Data</b> <sup>a</sup>               | 200,500 | 5,355,355  |   |         |            |
|   |         | 21,715,087 | <b>Software - 1.9%</b>                            |         |            |
|   |         |            | Adobe Systems                                     | 30,000  | 962,100    |
|   |         |            | ANSYS <sup>a</sup>                                | 45,500  | 1,415,050  |
| Internet Software and Services - 0.8%       |         |            | Aspen Technology <sup>a,d</sup>                   | 27,100  | 130,080    |
| CNET Networks <sup>a</sup>                  | 265,400 | 1,653,442  | Autodesk  | 251,000 | 4,056,160  |
| CryptoLogic <sup>a</sup>                    | 202,000 | 1,510,960  | Business Objects ADR <sup>a,b,d</sup>             | 25,500  | 559,725    |
| CyberSource Corporation <sup>a</sup>        | 10,000  | 27,400     | JDA Software Group <sup>a</sup>                   | 149,900 | 1,677,381  |
| DoubleClick <sup>a</sup>                    | 166,700 | 1,541,975  | MRO Software <sup>a</sup>                         | 46,000  | 396,980    |
| EarthLink <sup>a</sup>                      | 122,700 | 968,103    | MSC Software <sup>a,d</sup>                       | 42,600  | 287,124    |
| Overture Services <sup>a,d</sup>            | 5,000   | 90,650     | Macromedia <sup>a</sup>                           | 61,600  | 1,296,064  |
| RealNetworks <sup>a</sup>                   | 85,400  | 579,012    | Manugistics Group <sup>a,d</sup>                  | 49,200  | 202,212    |
| Satyam Computer Services ADR <sup>b,d</sup> | 20,000  | 198,600    | Novell <sup>a</sup>                               | 146,000 | 449,680    |
| Stamps.com <sup>a</sup>                     | 80,300  | 385,440    | Phoenix Technologies <sup>a,d</sup>               | 40,900  | 231,085    |
| Vastera <sup>a</sup>                        | 15,000  | 89,550     | Progress Software <sup>a</sup>                    | 50,500  | 1,046,865  |
|   |         | 7,045,132  | SPSS <sup>a</sup>                                 | 107,500 | 1,799,550  |
|   |         |            | Transaction Systems Architects Cl. A <sup>a</sup> | 237,300 | 2,126,208  |

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|   |           |            |   |             |
|---|-----------|------------|---|-------------|
| IT Services - 4.3%                              |           |            |   | 16,636,264  |
| American Management Systems <sup>a</sup>        | 331,900   | 4,739,532  |   |             |
| Answerthink <sup>a</sup>                        | 655,000   | 1,264,150  |   |             |
| BearingPoint <sup>a</sup>                       | 486,000   | 4,689,900  | Telecommunication - 1.5%                            |             |
| CIBER <sup>a</sup>                              | 70,000    | 491,400    | ADC Telecommunications <sup>a</sup>                 | 113,000     |
| Covansys Corporation <sup>a</sup>               | 251,600   | 772,412    | ADTRAN <sup>a</sup>                                 | 40,000      |
| DiamondCluster International Cl. A <sup>a</sup> | 288,900   | 1,071,819  | Allegiance Telecom <sup>a,d</sup>                   | 2,016,700   |
| Forrester Research <sup>a</sup>                 | 91,500    | 1,496,940  | Anaren <sup>a,d</sup>                               | 30,000      |
| Gartner Cl. A <sup>a</sup>                      | 166,000   | 1,258,280  | Andrew Corporation <sup>a</sup>                     | 30,000      |
| CGI Group Cl. A <sup>a</sup>                    | 106,700   | 642,334    | Arris Group <sup>a,d</sup>                          | 70,000      |
| Keane <sup>a</sup>                              | 497,000   | 6,774,110  | Comverse Technology <sup>a</sup>                    | 30,000      |
| MAXIMUS <sup>a,d</sup>                          | 113,000   | 3,122,190  | Globecom Systems <sup>a</sup>                       | 233,700     |
| Perot Systems Cl. A <sup>a</sup>                | 165,100   | 1,875,536  | IDT Corporation <sup>a,d</sup>                      | 25,000      |
| QRS Corporation <sup>a</sup>                    | 57,500    | 304,750    | IDT Corporation Cl. B <sup>a</sup>                  | 40,000      |
| Sapient Corporation <sup>a</sup>                | 1,124,400 | 3,114,588  | Inet Technologies <sup>a</sup>                      | 65,000      |
|   |           |            | Level 3 Communications <sup>a,d</sup>               | 408,400     |
| Syntel <sup>a</sup>                             | 72,400    | 1,138,852  | Liberty Satellite & Technology Cl. A <sup>a,d</sup> | 196,530     |
| Unisys Corporation <sup>a</sup>                 | 325,000   | 3,991,000  | PECO II <sup>a</sup>                                | 93,600      |
|   |           | 36,747,793 | Plantronics <sup>a</sup>                            | 55,100      |
|   |           |            | Polycom <sup>a,d</sup>                              | 37,000      |
|   |           |            | Sycamore Networks <sup>a</sup>                      | 38,000      |
| Semiconductors and Equipment - 2.9%             |           |            | Time Warner Telecom Cl. A <sup>a</sup>              | 204,000     |
| Artisan Components <sup>a</sup>                 | 15,000    | 339,150    |   | 1,299,480   |
| BE Semiconductor Industries <sup>a</sup>        | 58,000    | 310,300    |   | 12,769,460  |
| Credence Systems <sup>a</sup>                   | 10,600    | 89,782     |   |             |
| Cymer <sup>a,d</sup>                            | 14,500    | 464,145    | <b>Total</b> (Cost \$167,662,238)                   | 173,613,750 |
| DSP Group <sup>a</sup>                          | 115,000   | 2,475,950  |   |             |
| DuPont Photomasks <sup>a</sup>                  | 35,000    | 659,050    | <b>Utilities</b> $\square$ 0.1%                     |             |
| Electroglas <sup>a,d</sup>                      | 281,700   | 369,027    | Southern Union <sup>a</sup>                         | 10,000      |
| Exar Corporation <sup>a</sup>                   | 92,300    | 1,461,109  |   | 169,400     |
| Fairchild Semiconductor Cl. A <sup>a</sup>      | 183,000   | 2,340,570  | <b>Total</b> (Cost \$132,500)                       | 169,400     |
| GlobespanVirata <sup>a</sup>                    | 85,000    | 701,250    |   |             |
| Helix Technology <sup>d</sup>                   | 51,900    | 686,637    | <b>Miscellaneous</b> $\square$ 1.7%                 |             |
| Integrated Circuit Systems <sup>a,d</sup>       | 135,000   | 4,243,050  | <b>Total</b> (Cost \$11,930,854)                    | 14,181,950  |
| Intevac <sup>a,d</sup>                          | 216,650   | 1,455,888  |   |             |
| Kulicke & Soffa Industries <sup>a</sup>         | 105,800   | 676,062    | <b>TOTAL COMMON STOCKS</b>                          |             |
| Lattice Semiconductor <sup>a</sup>              | 264,000   | 2,172,720  | (Cost \$629,557,734)                                | 783,631,546 |
| Mentor Graphics <sup>a,d</sup>                  | 225,700   | 3,268,136  |   |             |
| National Semiconductor <sup>a</sup>             | 43,200    | 851,904    | <b>PREFERRED STOCKS</b> $\square$                   |             |
| Novellus Systems <sup>a</sup>                   | 12,000    | 439,452    | 0.1%  |             |
| NVIDIA Corporation <sup>a</sup>                 | 14,000    | 322,140    | Aristotle Corporation 11.00%                        |             |
|   |           |            | Conv.   | 4,800       |
|   |           |            | SVB Capital I 8.25%                                 | 20,000      |
|   |           |            |   | 33,888      |
|   |           |            |   | 499,980     |
|   |           |            | <b>TOTAL PREFERRED STOCKS</b>                       |             |
|   |           |            | (Cost \$531,005)                                    | 533,868     |



## ROYCE VALUE TRUST, INC.

## SCHEDULE OF INVESTMENTS

JUNE 30, 2003 (UNAUDITED)

|   | PRINCIPAL<br>AMOUNT | VALUE      |  | VALUE                 |
|---|---------------------|------------|--|-----------------------|
| <b>CORPORATE BONDS</b> <sup>□</sup>           |                     |            | <b>REPURCHASE AGREEMENT</b> <sup>□</sup>                       |                       |
| <b>0.2%</b>                                   |                     |            | <b>5.4%</b>  |                       |
| Dixie Group 7.00%                             |                     |            | State Street Bank & Trust                                      |                       |
| Conv. Sub. Deb. due                           |                     |            | Company, 0.30% dated 6/30/03,                                  |                       |
| 5/15/12                                       | \$ 537,000          | \$ 322,200 | due 7/1/03, maturity value                                     |                       |
| Richardson Electronics                        |                     |            | \$46,399,387 (collateralized by                                |                       |
| 7.25%   |                     |            | U.S. Treasury Notes, 1.75% due                                 |                       |
| Conv. Sub. Deb. due                           |                     |            | 12/31/04, valued at  |                       |
| 12/15/06                                      | 1,319,000           | 1,081,580  | \$47,329,137)  |                       |
|   |                     |            | (Cost \$46,399,000)  | \$ 46,399,000         |
| <b>TOTAL CORPORATE<br/>BONDS</b>              |                     | 1,403,780  | <b>TOTAL INVESTMENTS</b> <sup>□</sup>                          |                       |
| (Cost \$1,544,984)                            |                     |            | <b>100.1%</b>  |                       |
|   |                     |            | (Cost \$705,485,847)   | 859,617,619           |
| <b>U.S. TREASURY OBLIGATIONS</b> <sup>□</sup> |                     |            | <b>LIABILITIES LESS CASH<br/>AND OTHER ASSETS</b> <sup>□</sup> | (396,423)             |
| <b>3.2%</b>                                   |                     |            | <b>(0.1)%</b>  |                       |
| U.S. Treasury Notes                           |                     |            | <b>NET ASSETS</b> <sup>□</sup>                                 | <b>\$ 859,221,196</b> |
| 5.625%, due 2/15/06                           | 25,000,000          | 27,649,425 | <b>100.0%</b>  |                       |
|   |                     |            |  |                       |
| <b>TOTAL U.S. TREASURY OBLIGATIONS</b>        |                     | 27,649,425 |  |                       |
| (Cost \$27,453,124)                           |                     |            |  |                       |

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

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

<sup>c</sup> At June 30, 2003, 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.

<sup>d</sup> A portion of these securities were on loan at June 30, 2003. Total market value of loaned securities at June 30, 2003 was \$33,925,944.

<sup>e</sup> A security for which market quotations are no longer readily available represents 0.3% of net assets. This security has been valued at its fair value under procedures established by the Fund's Board of Directors.

<sup>□</sup> New additions in 2003.

**Bold indicates the Fund's largest 20 equity holdings in terms of June 30, 2003 market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$709,157,702. At June 30, 2003, net unrealized appreciation for all securities was \$150,459,917, consisting of aggregate gross unrealized appreciation of \$228,856,672 and aggregate gross unrealized depreciation of \$78,396,755. 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.



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

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**ROYCE VALUE TRUST, INC.****STATEMENT OF ASSETS AND LIABILITIES****JUNE 30, 2003 (UNAUDITED)****ASSETS:**

|  |                    |
|--|--------------------|
| Investments at value (identified cost \$659,086,847) | \$ 813,218,619     |
| Repurchase agreement (at cost and value)             | 46,399,000         |
| Cash   | 126                |
| Collateral from brokers on securities loaned         | 36,246,784         |
| Receivable for investments sold                      | 612,103            |
| Receivable for dividends and interest                | 929,747            |
| <b>Total Assets</b>                                  | <b>897,406,379</b> |

**LIABILITIES:**

|  |                   |
|--|-------------------|
| Payable for collateral on securities loaned      | 36,246,784        |
| Payable for investments purchased                | 637,532           |
| Payable for investment advisory fee              | 809,646           |
| Preferred dividends accrued but not yet declared | 266,225           |
| Accrued expenses                                 | 224,996           |
| <b>Total Liabilities</b>                         | <b>38,185,183</b> |

|                   |                       |
|-------------------|-----------------------|
| <b>Net Assets</b> | <b>\$ 859,221,196</b> |
|-------------------|-----------------------|

**ANALYSIS OF NET ASSETS:****PREFERRED STOCK:**

|  |             |
|--|-------------|
| Par value of 7.80% Cumulative Preferred Stock □ \$0.001 per share; 2,400,000 shares outstanding                | \$ 2,400    |
| Par value of 7.30% Tax-Advantaged Cumulative Preferred Stock □ \$0.001 per share; 4,000,000 shares outstanding | 4,000       |
| Additional paid-in capital   | 159,993,600 |

|  |                    |
|--|--------------------|
| <b>Net Assets applicable to Preferred Stock at a liquidation value of \$25 per share</b> | <b>160,000,000</b> |
|--|--------------------|

**COMMON STOCK:**

|  |              |
|--|--------------|
| Par value of Common Stock □ \$0.001 per share; 48,820,755 shares outstanding (150,000,000 shares authorized) | 48,821       |
| Additional paid-in capital   | 566,557,501  |
| Accumulated net investment loss  | (895,291)    |
| Accumulated net realized gain on investments   | 15,009,715   |
| Net unrealized appreciation on investments   | 154,131,809  |
| Quarterly and accrued distributions  | (35,631,359) |

|   |                |
|---|----------------|
| Net Assets applicable to Common Stock (net asset value per share □ \$14.32) | 699,221,196    |
| Net Assets  | \$ 859,221,196 |

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

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## ROYCE VALUE TRUST, INC.

**SIX MONTHS ENDED JUNE 30, 2003**  
**(UNAUDITED)**

### STATEMENT OF OPERATIONS

#### INVESTMENT INCOME:

|           |              |
|-----------|--------------|
| Income:   |              |
| Dividends | \$ 2,629,376 |
| Interest  | 851,553      |

|              |           |
|--------------|-----------|
| Total income | 3,480,929 |
|--------------|-----------|

#### Expenses:

|   |           |
|---|-----------|
| Investment advisory fees                      | 4,482,527 |
| Stockholder reports                           | 176,214   |
| Custody and transfer agent fees               | 104,025   |
| Administrative and office facilities expenses | 58,433    |
| Directors' fees                               | 55,391    |
| Professional fees                             | 46,220    |
| Other expenses                                | 70,077    |

|                                   |           |
|-----------------------------------|-----------|
| Total expenses                    | 4,992,887 |
| Fees waived by investment advisor | (616,667) |

|              |           |
|--------------|-----------|
| Net expenses | 4,376,220 |
|--------------|-----------|

|                              |           |
|------------------------------|-----------|
| Net investment income (loss) | (895,291) |
|------------------------------|-----------|

#### REALIZED AND UNREALIZED GAIN ON INVESTMENTS:

|  |            |
|--|------------|
| Net realized gain on investments                     | 18,822,862 |
| Net change in unrealized appreciation on investments | 84,176,771 |

|   |             |
|---|-------------|
| Net realized and unrealized gain on investments | 102,999,633 |
|---|-------------|

|  |                       |
|--|-----------------------|
| <b>NET INCREASE IN NET ASSETS FROM INVESTMENT OPERATIONS</b> | <b>\$ 102,104,342</b> |
|--|-----------------------|

### STATEMENTS OF CHANGES IN NET ASSETS

|  | Six months ended<br>June 30, 2003<br>(unaudited) | Year ended<br>December 31,<br>2002 |
|--|--|------------------------------------|
| <b>INVESTMENT OPERATIONS:</b>  |  |                                    |
| Net investment loss  | \$ (895,291)                                     | \$ (583,347)                       |
| Net realized gain on investments   | 18,822,862                                       | 62,933,497                         |
| Net change in unrealized appreciation on investments                           | 84,176,771                                       | (156,381,089)                      |
| Net increase (decrease) in net assets from investment operations               | 102,104,342                                      | (94,030,939)                       |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                                |  |                                    |
| Net investment income  | □  | (581,030)                          |
| Net realized gain on investments   | □  | (11,398,970)                       |
| Quarterly distributions *  | (5,990,000)                                      | □                                  |
| Total distributions to Preferred Stockholders                                  | (5,990,000)                                      | (11,980,000)                       |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                   |  |                                    |
| Net investment income  | □  | (2,981,664)                        |
| Net realized gain on investments   | □  | (58,496,049)                       |
| Quarterly distributions *  | (29,375,135)                                     | □                                  |
| Total distributions to Common Stockholders                                     | (29,375,135)                                     | (61,477,713)                       |
| <b>CAPITAL STOCK TRANSACTIONS:</b>   |  |                                    |
| Proceeds from rights offering  | 54,505,909                                       | □                                  |
| Reinvestment of distributions to Common Stockholders                           | 17,200,457                                       | 39,123,307                         |
| Total capital stock transactions   | 71,706,366                                       | 39,123,307                         |
| <b>NET INCREASE (DECREASE) IN NET ASSETS</b>                                   | 138,445,573                                      | (128,365,345)                      |
| <b>NET ASSETS:</b>   |  |                                    |
| Beginning of period  | 720,775,623                                      | 849,140,968                        |
| End of period (including accumulated net investment loss of \$895,291 in 2003) | \$ 859,221,196                                   | \$ 720,775,623                     |

\* To be allocated to net investment income and capital gains at year-end.

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

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**ROYCE VALUE TRUST, INC.**

**FINANCIAL HIGHLIGHTS**

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

|  | Six months ended<br>June 30, 2003<br>(unaudited) | Years ended December 31, |         |         |         |         |
|--|--|--------------------------|---------|---------|---------|---------|
|  |  | 2002                     | 2001    | 2000    | 1999    | 1998    |
| <b>NET ASSET VALUE,<br/>BEGINNING OF<br/>PERIOD</b>                  | \$13.22  | \$17.31                  | \$16.56 | \$15.77 | \$15.72 | \$16.91 |
| <b>INVESTMENT<br/>OPERATIONS:</b>                                    |  |                          |         |         |         |         |
| Net investment<br>income (loss)                                      | (0.02)   | (0.02)                   | 0.05    | 0.18    | 0.26    | 0.17    |
| Net realized and<br>unrealized gain (loss)<br>on investments         | 1.97   | (2.25)                   | 2.58    | 2.58    | 1.65    | 0.67    |
| Total investment<br>operations                                       | 1.95   | (2.27)                   | 2.63    | 2.76    | 1.91    | 0.84    |
| <b>DISTRIBUTIONS TO<br/>PREFERRED<br/>STOCKHOLDERS:</b>              |  |                          |         |         |         |         |
| Net investment<br>income   | □  | (0.01)                   | (0.01)  | (0.03)  | (0.04)  | (0.03)  |
| Net realized gain on<br>investments                                  | □  | (0.28)                   | (0.30)  | (0.30)  | (0.32)  | (0.26)  |
| Quarterly distributions<br>*   | (0.13)   | □                        | □       | □       | □       | □       |
| Total distributions to<br>Preferred<br>Stockholders                  | (0.13)   | (0.29)                   | (0.31)  | (0.33)  | (0.36)  | (0.29)  |
| <b>DISTRIBUTIONS TO<br/>COMMON<br/>STOCKHOLDERS:</b>                 |  |                          |         |         |         |         |
| Net investment<br>income   | □  | (0.07)                   | (0.05)  | (0.13)  | (0.15)  | (0.16)  |
| Net realized gain on<br>investments                                  | □  | (1.44)                   | (1.44)  | (1.35)  | (1.22)  | (1.38)  |
| Quarterly distributions<br>*   | (0.65)   | □                        | □       | □       | □       | □       |
| Total distributions to<br>Common Stockholders                        | (0.65)   | (1.51)                   | (1.49)  | (1.48)  | (1.37)  | (1.54)  |
| <b>CAPITAL STOCK<br/>TRANSACTIONS:</b>                               |  |                          |         |         |         |         |
| Effect of reinvestment<br>of distributions by<br>Common Stockholders | (0.00)   | (0.02)                   | (0.08)  | (0.16)  | (0.13)  | (0.09)  |
| Effect of rights<br>offering or Preferred<br>Stock offering          | (0.07)   | □                        | □       | □       | □       | (0.11)  |
| Total capital stock<br>transactions                                  | (0.07)   | (0.02)                   | (0.08)  | (0.16)  | (0.13)  | (0.20)  |

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|  |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>NET ASSET VALUE,<br/>END OF PERIOD</b>  | \$14.32   | \$13.22   | \$17.31   | \$16.56   | \$15.77   | \$15.72   |
| <b>MARKET VALUE,<br/>END OF PERIOD</b>   | \$14.94   | \$13.25   | \$15.72   | \$14.438  | \$13.063  | \$13.75   |
| <b>TOTAL RETURN (a):</b>   |           |           |           |           |           |           |
| Market Value   | 18.4%***  | (6.9)%    | 20.0%     | 22.7%     | 5.7%      | 1.5%      |
| Net Asset Value  | 13.8%***  | (15.6)%   | 15.2%     | 16.6%     | 11.7%     | 3.3%      |
| <b>RATIOS BASED ON<br/>AVERAGE NET<br/>ASSETS<br/>APPLICABLE TO<br/>COMMON<br/>STOCKHOLDERS:</b> |           |           |           |           |           |           |
| Total expenses (b,c)   | 1.47%**   | 1.72%     | 1.61%     | 1.43%     | 1.39%     | 1.31%     |
| Management fee<br>expense  | 1.30%**   | 1.56%     | 1.45%     | 1.25%     | 1.18%     | 1.10%     |
| Other operating<br>expenses  | 0.17%**   | 0.16%     | 0.16%     | 0.18%     | 0.21%     | 0.21%     |
| Net investment<br>income (loss)  | (0.30)**  | (0.09)%   | 0.35%     | 1.18%     | 1.47%     | 1.11%     |
| <b>SUPPLEMENTAL<br/>DATA:</b>  |           |           |           |           |           |           |
| Net Assets, End of<br>Period (in thousands)  | \$859,221 | \$720,776 | \$849,141 | \$783,262 | \$712,928 | \$676,963 |
| Portfolio Turnover<br>Rate   | 12%       | 35%       | 30%       | 36%       | 41%       | 43%       |
| <b>PREFERRED STOCK:</b>  |           |           |           |           |           |           |
| Total shares<br>outstanding  | 6,400,000 | 6,400,000 | 6,400,000 | 6,400,000 | 6,400,000 | 6,400,000 |
| Asset coverage per<br>share  | \$134.25  | \$112.62  | \$132.68  | \$122.38  | \$111.40  | \$105.78  |
| Liquidation preference<br>per share  | \$25.00   | \$25.00   | \$25.00   | \$25.00   | \$25.00   | \$25.00   |
| Average market value<br>per share:   |           |           |           |           |           |           |
| 7.80% Cumulative (d)   | \$26.09   | \$26.37   | \$25.70   | \$23.44   | \$24.98   | \$25.91   |
| 7.30%  |           |           |           |           |           |           |
| Tax-Advantaged<br>Cumulative (d)   | \$25.60   | \$25.82   | \$25.37   | \$22.35   | \$24.24   | \$25.43   |

(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 were 1.16%, 1.38%, 1.30%, 1.12%, 1.06% and 1.06% for the periods ended June 30, 2003 and December 31, 2002, 2001, 2000, 1999 and 1998, respectively.

(c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.67%, 1.82%, 1.65%, 1.51%, 1.48% and 1.34% for the periods ended June 30, 2003 and December 31, 2002, 2001, 2000, 1999 and 1998, respectively.

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

\* To be allocated to net investment income and capital gains at year-end.

\*\* Annualized.

\*\*\* Not annualized.

## ROYCE VALUE TRUST, INC.

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### NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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#### Summary of Significant Accounting Policies:

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

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

#### Investment Transactions and Related Investment Income:

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

#### Expenses:

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted 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 fiscal year. The Schedule of Investments includes information regarding income taxes under the caption [Income Tax Information].

**Distributions:**

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. Distributions are determined in accordance with income tax regulations that may differ from 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 enters into repurchase agreements with respect to its portfolio securities solely with State Street Bank and Trust Company ("SSB&T"), the custodian of its assets. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

**Securities Lending:**

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. This income is included in interest income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily, typically, and specifically at June 30, 2003, in a registered money market fund, by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

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**ROYCE VALUE TRUST, INC.**

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**NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

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**Capital Stock:**

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

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

issuing Preferred Stock.

The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that 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.

The Fund issued 1,313,310 and 2,615,641 shares of Common Stock as reinvestment of distributions by Common Stockholders for the six months ended June 30, 2003 and the year ended December 31, 2002, respectively.

During the quarter ended March 31, 2003, the Fund completed a rights offering of 5,090,083 shares to its stockholders at the rate of one share for each 10 rights held by the stockholders of record on January 28, 2003. These shares were priced at \$10.77, which was \$0.50 below the last reported sale price on the New York Stock Exchange on March 11, 2003. 34.5% of the offering was subscribed for through primary subscription. The remaining shares were purchased by those stockholders who subscribed with their primary rights and who also elected to purchase additional shares using over-subscription rights.

#### 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 month-end net assets of the Fund for the rolling 60-month period ending with such month. The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the S&P 600 for the performance period by more than two percentage points. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and is payable if the investment performance of the Fund exceeds the percentage change in the investment record of the S&P 600 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and is payable if the percentage change in the investment record of the S&P 600 exceeds the investment performance of the Fund by 12 or more percentage points for the performance period.

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

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

For the six months ended June 30, 2003, the Fund accrued and paid Royce advisory fees totaling \$3,865,860, which is net of \$616,667 voluntarily waived by Royce.

#### Purchases and Sales of Investment Securities:

For the six months ended June 30, 2003, the cost of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to \$87,757,204 and \$87,320,273, 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 six months ended June 30, 2003:

| Affiliated Company   | Purchases |              | Sales  |      | Realized Gain (Loss) | Dividend Income |
|----------------------|-----------|--------------|--------|------|----------------------|-----------------|
|                      | Shares    | Cost         | Shares | Cost |                      |                 |
| Falcon Products      | 405,600   | \$ 1,635,894 | 0      | 0    | 0                    | 0               |
| McLeodUSA            | 0         | 0            | 0      | 0    | 0                    | 0               |
| Peerless Mfg.        | 0         | 0            | 0      | 0    | 0                    | 0               |
| Synalloy Corporation | 345,000   | 1,797,450    | 0      | 0    | 0                    | 0               |



**ROYCE MICRO-CAP TRUST, INC.****SCHEDULE OF INVESTMENTS****JUNE 30, 2003 (UNAUDITED)****COMMON STOCKS □ 93.0%**

|   | SHARES  | VALUE      |  | SHARES  | VALUE            |
|---|---------|------------|--|---------|------------------|
| <b>Consumer Products □ 9.0%</b>               |         |            | <b>Retail Stores - 3.6%</b>                    |         |                  |
| Apparel and Shoes - 3.0%                      |         |            | Brookstone <sup>a</sup>                        | 23,000  | \$ 465,75        |
| Ashworth <sup>a</sup>                         | 43,000  | \$ 304,870 | Buckle (The) <sup>a</sup>                      | 36,500  | 701,89           |
| <b>Delta Apparel</b>                          | 146,500 | 2,380,625  | Cato Cl. A                                     | 58,000  | 1,222,64         |
| Kleinert's <sup>a,d</sup>                     | 14,200  | 0          | Charming Shoppes <sup>a,c</sup>                | 50,000  | 248,50           |
| Marisa Christina <sup>a</sup>                 | 51,600  | 73,788     | Dress Barn (The) <sup>a</sup>                  | 53,660  | 679,87           |
| Nautica Enterprises <sup>a</sup>              | 107,600 | 1,380,508  | FTD Cl. A <sup>a,c</sup>                       | 10,000  | 201,80           |
| Oshkosh B'Gosh Cl. A                          | 37,000  | 999,000    | Gadzooks <sup>a,c</sup>                        | 63,000  | 357,84           |
| <b>Weyco Group</b>                            | 40,000  | 1,840,400  | InterTAN <sup>a</sup>                          | 49,800  | 408,36           |
|   |         |            | La Senza Corporation                           | 99,900  | 722,12           |
|   |         | 6,979,191  | <b>Stein Mart <sup>a</sup></b>                 | 285,200 | 1,708,34         |
|   |         |            | United Retail Group <sup>a</sup>               | 60,600  | 119,38           |
| <b>Collectibles - 1.0%</b>                    |         |            | <b>Wet Seal (The) Cl. A <sup>a</sup></b>       | 157,000 | 1,676,76         |
| The Boyds Collection <sup>a,c</sup>           | 227,700 | 1,072,467  |  |         |                  |
| Enesco Group <sup>a</sup>                     | 52,400  | 387,760    |  |         | 8,513,27         |
| Topps Company (The) <sup>a</sup>              | 101,000 | 867,590    |  |         |                  |
|   |         | 2,327,817  | <b>Other Consumer Services - 0.4%</b>          |         |                  |
|   |         |            | Ambassadors Group <sup>a</sup>                 | 7,500   | 104,77           |
| <b>Food/Beverage/Tobacco - 1.3%</b>           |         |            | Ambassadors International <sup>a</sup>         | 6,100   | 73,26            |
| <b>800 JR Cigar <sup>a,d</sup></b>            | 193,000 | 2,509,000  | E-LOAN <sup>a,c</sup>                          | 80,500  | 469,31           |
| Green Mountain Coffee Roasters <sup>a,c</sup> | 15,000  | 285,000    | First Cash Financial Services <sup>a</sup>     | 20,500  | 291,30           |
| Monterey Pasta Company <sup>a,c</sup>         | 69,000  | 341,550    |  |         | 938,65           |
|   |         | 3,135,550  | <b>Total (Cost \$7,950,925)</b>                |         | <b>10,571,89</b> |
| <b>Home Furnishing/Appliances - 0.8%</b>      |         |            | <b>Diversified Investment Companies □ 0.2%</b> |         |                  |
| Bassett Furniture Industries                  | 26,300  | 349,264    | <b>Closed-End Mutual Funds - 0.2%</b>          |         |                  |
| Falcon Products <sup>a</sup>                  | 150,000 | 634,500    | Central Fund of Canada Cl. A <sup>c</sup>      | 140,000 | 600,60           |
| Lifetime Hoan <sup>c</sup>                    | 109,854 | 837,088    |  |         |                  |
| Stanley Furniture Company                     | 2,500   | 68,525     | <b>Total (Cost \$554,082)</b>                  |         | <b>600,60</b>    |
|   |         | 1,889,377  | <b>Financial Intermediaries □ 5.1%</b>         |         |                  |
| <b>Publishing - 0.3%</b>                      |         |            | <b>Banking - 0.4%</b>                          |         |                  |
| Information Holdings <sup>a</sup>             | 40,000  | 730,000    | First Midwest Financial                        | 1,000   | 18,58            |
|   |         |            | Queen City Investments <sup>a</sup>            | 948     | 466,41           |

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|  |         |            |  |         |           |
|--|---------|------------|--|---------|-----------|
|  |         |            | Sterling Bancorp                                     | 14,520  | 404,96    |
| Sports and Recreation - 0.8%               |         |            |  |         |           |
| Johnson Outdoors Cl. A <sup>a</sup>        | 31,600  | 431,340    |  |         | 889,96    |
| Monaco Coach <sup>a,c</sup>                | 85,900  | 1,316,847  |  |         |           |
| National R.V. Holdings <sup>a</sup>        | 31,800  | 164,724    | Insurance - 4.7%                                     |         |           |
|  |         |            | Arch Capital Group <sup>a</sup>                      | 25,700  | 892,56    |
|  |         | 1,912,911  | Argonaut Group <sup>a</sup>                          | 30,900  | 380,99    |
|  |         |            | Ceres Group <sup>a</sup>                             | 50,300  | 144,86    |
| Other Consumer Products - 1.8%             |         |            | Independence Holding                                 | 18,630  | 393,27    |
| Concord Camera <sup>a</sup>                | 30,000  | 212,700    | NYMAGIC  | 67,900  | 1,375,65  |
| Cross (A. T.) & Company Cl. A <sup>a</sup> | 100,000 | 594,000    | Navigators Group <sup>a</sup>                        | 47,200  | 1,407,50  |
| JAKKS Pacific <sup>a</sup>                 | 35,000  | 465,150    | PICO Holdings <sup>a</sup>                           | 91,600  | 1,190,80  |
| Lazare Kaplan International <sup>a</sup>   | 151,700 | 879,860    | PMA Capital Cl. A                                    | 80,000  | 1,005,60  |
| <b>Matthews International Cl. A</b>        | 76,000  | 1,881,760  | PXRE Group   | 73,164  | 1,448,64  |
| Pillowtex Corporation <sup>a</sup>         | 20,000  | 4,400      | ProAssurance Corporation <sup>a</sup>                | 57,500  | 1,551,92  |
| Water Pik Technologies <sup>a,c</sup>      | 41,500  | 322,455    | Wellington Underwriting <sup>a</sup>                 | 444,712 | 754,54    |
|  |         |            | Zenith National Insurance <sup>c</sup>               | 19,100  | 544,35    |
|  |         | 4,360,325  |  |         |           |
|  |         |            |  |         | 11,090,72 |
| <b>Total (Cost \$15,141,248)</b>           |         | 21,335,171 |  |         |           |
|  |         |            | <b>Total (Cost \$7,574,357)</b>                      |         | 11,980,68 |
| <b>Consumer Services <sup>□</sup> 4.5%</b> |         |            | <b>Financial Services <sup>□</sup> 1.6%</b>          |         |           |
| Direct Marketing - 0.1%                    |         |            | Information and Processing - 0.3%                    |         |           |
| ValueVision Media Cl. A <sup>a</sup>       | 5,000   | 68,150     | Fidelity National Information Solutions <sup>a</sup> | 20,668  | 539,02    |
|  |         |            | InterCept <sup>a</sup>                               | 32,000  | 267,52    |
| Leisure/Entertainment - 0.2%               |         |            |  |         |           |
| ACTV <sup>a</sup>                          | 55,000  | 53,900     |  |         |           |
| IMAX Corporation <sup>a,c</sup>            | 25,000  | 225,000    |  |         | 806,54    |
| TiVo <sup>a,c</sup>                        | 20,000  | 247,000    |  |         |           |
|  |         |            | Insurance Brokers - 0.4%                             |         |           |
|  |         | 525,900    | Clark <sup>a</sup>                                   | 20,900  | 249,75    |
|  |         |            | CorVel <sup>a</sup>                                  | 18,750  | 675,00    |
| Restaurants/Lodgings - 0.2%                |         |            |  |         |           |
| Angelo and Maxie[is] <sup>a</sup>          | 3,333   | 9,832      |  |         | 924,75    |
| Benihana Cl. A <sup>a</sup>                | 29,770  | 392,964    |  |         |           |
| IHOP Corporation <sup>c</sup>              | 3,900   | 123,123    |  |         |           |
|  |         |            |  |         |           |
|  |         | 525,919    |  |         |           |

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ROYCE MICRO-CAP TRUST, INC.

SCHEDULE OF INVESTMENTS

JUNE 30, 2003 (UNAUDITED)

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|  | SHARES  | VALUE            |   | SHARES  | VALUE             |
|--|---------|------------------|---|---------|-------------------|
| <b>Financial Services (continued)</b>                          |         |                  |   |         |                   |
| Investment Management - 0.2%                                   |         |                  | CONMED Corporation <sup>a,c</sup>                 | 3,900   | \$ 71,214         |
| BKF Capital Group <sup>a</sup>                                 | 27,700  | \$ 604,691       | Cyberonics <sup>a,c</sup>                         | 5,000   | 107,550           |
|  |         |                  | Exactech <sup>a</sup>                             | 50,000  | 720,000           |
| Other Financial Services - 0.7%                                |         |                  | Interpore International <sup>a</sup>              | 17,600  | 224,048           |
| MicroFinancial <sup>a</sup>                                    | 10,000  | 18,400           | Molecular Devices <sup>a</sup>                    | 10,000  | 159,100           |
| New Century Financial PRG-Schultz International <sup>a,c</sup> | 5,000   | 218,250          | NMT Medical <sup>a</sup>                          | 44,000  | 174,680           |
|  | 225,000 | 1,327,500        | Orthofix International <sup>a</sup>               | 29,500  | 965,830           |
|  |         | 1,564,150        | Osteotech <sup>a</sup>                            | 22,100  | 300,339           |
|  |         |                  | PLC Systems <sup>a</sup>                          | 105,200 | 68,380            |
|  |         |                  | Theragenics Corporation <sup>a</sup>              | 15,000  | 64,500            |
|  |         |                  | Utah Medical Products <sup>a</sup>                | 42,300  | 848,115           |
| <b>Total (Cost \$2,775,622)</b>                                |         | <b>3,900,137</b> |   |         |                   |
|  |         |                  |   |         | <b>6,034,194</b>  |
| <b>Health □ 11.2%</b>  |         |                  |   |         |                   |
| Commercial Services - 3.1%                                     |         |                  | <b>Total (Cost \$21,482,648)</b>                  |         | <b>26,422,351</b> |
| BioReliance Corporation <sup>a</sup>                           | 58,300  | 1,235,960        |   |         |                   |
| Bruker Daltonics <sup>a,c</sup>                                | 200,300 | 1,067,599        | <b>Industrial Products □ 13.7%</b>                |         |                   |
| ICON ADR <sup>a,b</sup>  | 800     | 25,456           | Building Systems and Components - 2.0%            |         |                   |
| <b>PAREXEL International <sup>a</sup></b>                      | 134,400 | 1,874,880        | Drew Industries <sup>a</sup>                      | 15,000  | 273,000           |
| The TriZetto Group <sup>a</sup>                                | 181,500 | 1,096,260        | Juno Lighting <sup>a</sup>                        | 108,600 | 1,453,068         |
| <b>Young Innovations <sup>a</sup></b>                          | 73,850  | 2,104,725        | LSI Industries                                    | 43,850  | 486,735           |
|  |         | 7,404,880        | <b>Simpson Manufacturing <sup>a</sup></b>         | 44,200  | 1,617,720         |
|  |         |                  | Skyline Corporation                               | 32,100  | 963,000           |
|  |         |                  |   |         | <b>4,793,523</b>  |
| Drugs and Biotech - 2.5%                                       |         |                  |   |         |                   |
| Antigenics <sup>a,c</sup>                                      | 60,800  | 700,416          | Construction Materials - 1.8%                     |         |                   |
| Arena Pharmaceuticals <sup>a</sup>                             | 14,000  | 92,960           | Ash Grove Cement Company                          | 8,000   | 944,000           |
| BioSource International <sup>a</sup>                           | 177,900 | 1,227,510        | Eagle Building Technologies <sup>a,c</sup>        | 15,000  | 21,000            |
| Emisphere Technologies <sup>a</sup>                            | 187,200 | 673,920          | Encore Wire <sup>a</sup>                          | 10,000  | 95,000            |
| Geron Corporation <sup>a,c</sup>                               | 6,000   | 44,160           | Florida Rock Industries                           | 35,000  | 1,444,800         |
| Lexicon Genetics <sup>a</sup>                                  | 192,100 | 1,288,991        | Monarch Cement                                    | 50,410  | 879,655           |
| Martek Biosciences <sup>a</sup>                                | 12,800  | 549,632          | Synalloy Corporation <sup>a</sup>                 | 171,000 | 928,530           |
| Myriad Genetics <sup>a</sup>                                   | 5,000   | 68,050           | Universal Stainless & Alloy Products <sup>a</sup> | 7,700   | 50,589            |
| Nabi Biopharmaceuticals <sup>a</sup>                           | 40,000  | 274,400          |   |         | <b>4,363,574</b>  |
| Sangamo BioSciences <sup>a</sup>                               | 10,000  | 28,500           |   |         |                   |
| ViroPharma <sup>a,c</sup>                                      | 18,800  | 48,880           | Industrial Components - 2.2%                      |         |                   |
| VIVUS <sup>a,c</sup>   | 167,200 | 859,408          | Aaon <sup>a</sup>                                 | 37,500  | 694,500           |
|  |         | 5,856,827        | Bel Fuse Cl. A                                    | 52,600  | 1,078,300         |
| Health Services - 2.2%   |         |                  | Cable Design Technologies <sup>a</sup>            | 30,000  | 214,500           |
| ATC Healthcare Cl. A <sup>a</sup>                              | 35,000  | 22,050           | Penn Engineering & Manufacturing                  | 56,600  | 772,590           |
| aaiPharma <sup>a,c</sup>                                       | 31,600  | 628,208          | Penn Engineering & Manufacturing Cl. A            | 30,800  | 373,912           |
| Covalent Group <sup>a</sup>                                    | 25,000  | 56,250           | Powell Industries <sup>a</sup>                    | 85,800  | 1,256,112         |
| First Consulting Group <sup>a</sup>                            | 146,700 | 685,089          | Scientific Technologies <sup>a</sup>              | 10,700  | 51,895            |

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|   |         |           |   |         |           |
|---|---------|-----------|---|---------|-----------|
| Gene Logic <sup>a</sup>                   | 210,000 | 1,253,700 | Tech/Ops Sevcon                                 | 76,200  | 400,050   |
| MIM Corporation <sup>a,c</sup>            | 38,100  | 248,793   | II-VI <sup>a</sup>                              | 10,000  | 230,800   |
| MedCath Corporation <sup>a,c</sup>        | 18,000  | 105,300   | Woodhead Industries                             | 10,000  | 125,200   |
| On Assignment <sup>a,c</sup>              | 132,000 | 528,000   |   |         |           |
| Quovadx <sup>a</sup>                      | 45,000  | 134,550   |   |         | 5,197,859 |
| RehabCare Group <sup>a</sup>              | 25,000  | 366,250   |   |         |           |
| SFBC International <sup>a,c</sup>         | 23,000  | 416,300   | Machinery - 1.6%                                |         |           |
| Sierra Health Services <sup>a,c</sup>     | 40,000  | 800,000   | Astec Industries <sup>a</sup>                   | 40,200  | 350,544   |
| Superior Consultant Holdings <sup>a</sup> | 10,000  | 30,000    | Hurco Companies <sup>a</sup>                    | 16,100  | 37,835    |
|   |         | 5,274,490 | LeCroy Corporation <sup>a</sup>                 | 34,000  | 328,440   |
|   |         |           | Lindsay Manufacturing                           | 10,000  | 232,200   |
|   |         |           | MTS Systems                                     | 10,000  | 147,400   |
| Personal Care - 0.8%                      |         |           | Mueller (Paul)                                  | 16,650  | 674,325   |
| Helen of Troy <sup>a</sup>                | 20,000  | 303,200   | T-3 Energy Services <sup>a</sup>                | 198,610 | 1,306,854 |
| Inter Parfums                             | 46,200  | 341,880   | Woodward Governor                               | 15,300  | 657,900   |
| Ocular Sciences <sup>a,c</sup>            | 60,800  | 1,206,880 |   |         | 3,735,498 |
|   |         | 1,851,960 |   |         |           |
|   |         |           | Pumps, Valves and Bearings - 2.0%               |         |           |
| Surgical Products and Devices - 2.6%      |         |           | <b>Denison International ADR</b> <sup>a,b</sup> | 123,500 | 2,377,375 |
| Aksys <sup>a,c</sup>                      | 85,000  | 1,100,750 | NN  | 80,500  | 1,019,130 |
| Allied Healthcare Products <sup>a</sup>   | 258,400 | 922,488   | Sun Hydraulics                                  | 152,550 | 1,229,553 |
| Cantel Medical <sup>a</sup>               | 21,000  | 281,820   |   |         | 4,626,058 |
| Colorado MEDtech <sup>a</sup>             | 5,400   | 25,380    |   |         |           |

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**ROYCE MICRO-CAP TRUST, INC.**

**SCHEDULE OF INVESTMENTS**

**JUNE 30, 2003 (UNAUDITED)**

|  | SHARES  | VALUE        |                                       | SHARES  | VALUE      |
|--|---------|--------------|---------------------------------------|---------|------------|
| <b>Industrial Products (continued)</b>   |         |              | Food/Tobacco Processors - 1.5%        |         |            |
| Specialty Chemicals and Materials - 2.0% |         |              | Galaxy Nutritional Foods <sup>a</sup> | 113,500 | \$ 320,070 |
| Aceto                                    | 87,631  | \$ 1,616,792 | MGP Ingredients                       | 96,122  | 839,626    |
| American Pacific <sup>a</sup>            | 15,000  | 112,200      | ML Macadamia Orchards LP Cl. A        | 120,200 | 420,700    |
| Balchem Corporation                      | 10,000  | 235,200      | <b>Seneca Foods Cl. A</b>             |         |            |
| CFC International <sup>a</sup>           | 144,700 | 781,380      | <sup>a</sup>                          | 58,500  | 1,024,920  |
|  |         |              |                                       | 47,200  | 854,792    |

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|   |         |                   | <b>Seneca Foods Cl. B</b>               |                   |
|---|---------|-------------------|---|-------------------|
|   |         |                   | <b>a</b>                                |                   |
| Eastern Company (The)                         | 20,000  | 292,000           |   |                   |
| Hawkins                                       | 122,667 | 1,229,123         |   | 3,460,108         |
| NuCo2 <u>a,c</u>                              | 20,000  | 188,200           |   |                   |
| Park Electrochemical                          | 10,000  | 199,500           | Industrial Distribution - 0.9%          |                   |
|   |         | 4,654,395         | Central Steel & Wire                    | 1,200 450,000     |
|   |         |                   | Elamex <u>a</u>                         | 70,200 239,031    |
|   |         |                   | Lawson Products                         | 12,200 335,976    |
| Textiles - 0.3%                               |         |                   | Strategic Distribution                  |                   |
| Fab Industries <u>a</u>                       | 76,400  | 702,880           | <u>a</u>                                | 68,490 1,113,716  |
|   |         |                   |   | 2,138,723         |
| Other Industrial Products - 1.8%              |         |                   |   |                   |
| Astronics Corporation <u>a</u>                | 26,400  | 85,668            | Printing - 1.6%                         |                   |
| <b>BHA Group Holdings</b>                     | 96,915  | 1,919,886         | Bowne & Co.                             | 90,000 1,172,700  |
| Maxwell Technologies <u>a</u>                 | 15,300  | 88,128            | Ennis Business Forms                    | 11,200 162,960    |
| Myers Industries                              | 29,342  | 278,749           | Moore Wallace <u>a</u>                  | 39,600 581,328    |
|   |         |                   | New England                             |                   |
| Peerless Mfg. <u>a</u>                        | 43,200  | 477,360           | Business Service                        | 52,900 1,587,000  |
| Quixote Corporation                           | 12,500  | 319,125           | Schawk Cl. A                            | 16,300 170,824    |
| Spartan Motors <u>c</u>                       | 26,200  | 216,674           |   |                   |
| Wescast Industries Cl. A                      | 37,900  | 942,952           |   | 3,674,812         |
|   |         | 4,328,542         | Transportation and Logistics - 2.2%     |                   |
| <b>Total (Cost \$23,162,094)</b>              |         | <b>32,402,329</b> | AirNet Systems <u>a</u>                 | 196,000 793,800   |
|   |         |                   | Atlas Air Worldwide Holdings <u>a,c</u> | 120,000 176,400   |
| <b>Industrial Services □ 12.2%</b>            |         |                   | EGL <u>a</u>                            | 42,100 639,920    |
| Advertising/Publishing - 0.3%                 |         |                   | Forward Air <u>a</u>                    | 43,800 1,111,206  |
| Digital Generation Systems <u>a</u>           | 6,700   | 12,864            | Frozen Food Express Industries <u>a</u> | 227,500 718,900   |
| FindWhat.com <u>a,c</u>                       | 10,000  | 188,100           | Hawaiian Holdings <u>a</u>              | 75,000 63,750     |
|   |         |                   | Hub Group Cl. A <u>a</u>                | 6,500 57,070      |
| Modem Media Cl. A <u>a</u>                    | 141,200 | 561,976           | Knight Transportation <u>a</u>          | 38,925 969,233    |
|   |         |                   | Patriot Transportation Holding <u>a</u> | 28,400 800,596    |
|   |         | 762,940           |   |                   |
|   |         |                   |   | 5,330,875         |
| Commercial Services - 5.0%                    |         |                   | Other Industrial Services - 0.1%        |                   |
| American Bank Note Holographics <u>a</u>      | 267,200 | 325,984           | Team <u>a</u>                           | 44,100 352,800    |
| Butler International <u>a</u>                 | 38,500  | 30,800            |   |                   |
| Carlisle Holdings <u>a</u>                    | 400,000 | 1,320,000         | <b>Total (Cost \$24,350,375)</b>        | <b>28,830,143</b> |
| Core Laboratories <u>a</u>                    | 24,000  | 259,200           | <b>Natural Resources □ 8.6%</b>         |                   |
| Edgewater Technology <u>a</u>                 | 18,339  | 88,027            | Energy Services - 2.7%                  |                   |
| Exponent <u>a</u>                             | 63,200  | 979,600           | Carbo Ceramics                          | 33,600 1,251,600  |
| Heidrick & Struggles International <u>a,c</u> | 10,000  | 126,200           | Dril-Quip <u>a</u>                      | 42,700 777,140    |
| iGATE Corporation <u>a</u>                    | 324,700 | 1,126,709         | GulfMark Offshore <u>a</u>              | 69,200 1,168,096  |
| Innodata Corporation <u>a</u>                 | 245,100 | 330,885           |   |                   |
| Kforce <u>a</u>                               | 55,000  | 265,650           |   |                   |

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|  |         |            |                                 |         |           |
|--|---------|------------|---------------------------------|---------|-----------|
| Manufacturers Services <sup>a</sup>        | 95,000  | 460,750    | Input/Output <sup>a</sup>       | 193,500 | 1,041,030 |
| NCO Group <sup>a</sup>                     | 20,000  | 358,200    | Lufkin Industries               | 25,000  | 608,750   |
|  |         |            | MarkWest                        |         |           |
| NIC <sup>a</sup>                           | 26,800  | 78,256     | Hydrocarbon <sup>a</sup>        | 15,200  | 115,672   |
| New Horizons Worldwide <sup>a,c</sup>      | 282,000 | 1,206,960  | NATCO Group Cl. A <sup>a</sup>  | 100,400 | 685,732   |
|  |         |            | Valley National Gases           |         |           |
| Pegasystems <sup>a</sup>                   | 75,000  | 552,750    | <sup>a</sup>                    | 30,100  | 179,095   |
| RemedyTemp Cl. A <sup>a</sup>              | 71,700  | 661,791    | Willbros Group <sup>a</sup>     | 55,900  | 580,801   |
| TRC Companies <sup>a,c</sup>               | 25,000  | 369,000    |                                 |         |           |
| Tyler Technologies <sup>a</sup>            | 65,000  | 276,250    |                                 |         | 6,407,916 |
| Volt Information Sciences <sup>a</sup>     | 36,600  | 499,590    |                                 |         |           |
| Wackenhut Corrections <sup>a</sup>         | 94,800  | 1,299,708  | Oil and Gas - 3.3%              |         |           |
|  |         |            | <b>Bonavista</b>                |         |           |
| Watson Wyatt & Company                     |         |            | <b>Petroleum</b> <sup>a</sup>   | 71,000  | 2,010,990 |
|  |         |            | Contango Oil & Gas              |         |           |
| Holdings Cl. A <sup>a</sup>                | 15,000  | 347,700    | Company <sup>a</sup>            | 50,000  | 204,500   |
| Westaff <sup>a</sup>                       | 362,500 | 808,375    | Denbury Resources <sup>a</sup>  | 87,000  | 1,168,410 |
|  |         |            | Evergreen Resources             |         |           |
|  |         |            | <sup>a,c</sup>                  | 20,000  | 1,086,200 |
|  |         | 11,772,385 | <b>PetroCorp</b> <sup>a</sup>   | 171,200 | 1,908,880 |
| Engineering and Construction - 0.6%        |         |            | Prima Energy <sup>a</sup>       | 21,000  | 438,480   |
| Insituform Technologies Cl. A <sup>a</sup> | 70,000  | 1,237,600  | Toreador Resources <sup>a</sup> | 2,300   | 6,923     |
| Keith Companies <sup>a</sup>               | 10,000  | 99,900     | Veritas DGC <sup>a,c</sup>      | 79,400  | 913,100   |
|  |         |            |                                 |         | 7,737,483 |
|  |         | 1,337,500  |                                 |         |           |

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**ROYCE MICRO-CAP TRUST, INC.**

**SCHEDULE OF INVESTMENTS**

**JUNE 30, 2003 (UNAUDITED)**

|   | SHARES  | VALUE        |  | SHARES  | VALUE      |
|---|---------|--------------|--|---------|------------|
| <b>Natural Resources</b>                |         |              |  |         |            |
| <b>(continued)</b>                      |         |              |  |         |            |
| Precious Metals and Mining - 0.7%       |         |              | Digitas <sup>a</sup>                   | 50,500  | \$ 250,480 |
| Apex Silver Mines <sup>a</sup>          | 79,600  | \$ 1,174,100 | Lionbridge Technologies <sup>a,c</sup> | 37,500  | 190,875    |
| Brush Engineered Materials <sup>a</sup> | 15,500  | 129,425      | Overstock.com <sup>a,c</sup>           | 37,000  | 536,870    |
| MK Gold <sup>a</sup>                    | 603,700 | 458,812      | RealNetworks <sup>a,c</sup>            | 65,700  | 445,446    |
|   |         |              | Register.com <sup>a</sup>              | 84,000  | 492,240    |
|   |         | 1,762,337    | Stamps.com <sup>a</sup>                | 170,000 | 816,000    |
|   |         |              | United Online <sup>a,c</sup>           | 15,000  | 380,100    |
| Real Estate - 1.9%                      |         |              |  |         | 3,479,787  |
| <b>HomeFed Corporation</b> <sup>a</sup> | 898,521 | 2,470,933    |  |         |            |

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|  |         |            |   |         |            |
|--|---------|------------|---|---------|------------|
| <b>Liberte Investors</b> <sup>a</sup>  | 346,800 | 1,883,124  | IT Services - 4.6%                              |         |            |
| Stratus Properties <sup>a</sup>        | 11,000  | 102,905    | CACI International Cl. A <sup>a</sup>           | 10,000  | 343,000    |
|  |         |            | CIBER <sup>a</sup>                              | 220,000 | 1,544,400  |
|  |         | 4,456,962  | Computer Task Group <sup>a</sup>                | 341,100 | 968,724    |
|  |         |            | Covansys Corporation <sup>a</sup>               | 242,500 | 744,475    |
| <b>Total</b> (Cost \$10,827,234)       |         | 20,364,698 | DiamondCluster International Cl. A <sup>a</sup> | 280,000 | 1,038,800  |
|  |         |            | DynTek Cl. A <sup>a</sup>                       | 224,000 | 179,200    |
| <b>Technology</b> $\square$ 24.0%      |         |            | <b>Forrester Research</b> <sup>a</sup>          | 105,500 | 1,725,980  |
| Aerospace/Defense - 2.1%               |         |            | <b>Sapient Corporation</b> <sup>a</sup>         | 995,000 | 2,756,150  |
| Ducommun <sup>a</sup>                  | 99,500  | 1,402,950  | Syntel <sup>a</sup>                             | 81,000  | 1,274,130  |
| HEICO Corporation <sup>c</sup>         | 66,600  | 812,520    | Technology Solutions <sup>a</sup>               | 50,000  | 50,000     |
| Herley Industries <sup>a</sup>         | 76,000  | 1,290,480  | Tier Technologies Cl. B <sup>a</sup>            | 40,500  | 313,875    |
| Integral Systems <sup>a</sup>          | 58,300  | 1,159,004  |   |         |            |
| Mesaba Holdings <sup>a</sup>           | 51,600  | 318,372    |   |         | 10,938,734 |
| SIFCO Industries <sup>a</sup>          | 45,800  | 92,058     |   |         |            |
|  |         | 5,075,384  | Semiconductors and Equipment - 2.0%             |         |            |
|  |         |            | August Technology <sup>a</sup>                  | 72,000  | 457,200    |
| Components and Systems - 5.0%          |         |            | California Micro Devices <sup>a</sup>           | 25,000  | 53,750     |
| Advanced Photonix Cl. A <sup>a</sup>   | 455,200 | 409,680    | Exar Corporation <sup>a,c</sup>                 | 68,500  | 1,084,355  |
| CSP <sup>a</sup>                       | 117,581 | 378,611    | FSI International <sup>a</sup>                  | 34,500  | 134,550    |
| Concurrent Computer <sup>a</sup>       | 102,500 | 299,300    | GlobespanVirata <sup>a</sup>                    | 14,000  | 115,500    |
| Del Global Technologies <sup>a</sup>   | 468,279 | 1,077,042  | Helix Technology                                | 9,500   | 125,685    |
| <b>Excel Technology</b> <sup>a,c</sup> | 97,900  | 2,235,057  | Inficon Holding ADR <sup>a,b</sup>              | 10,000  | 64,500     |
| Intrusion <sup>a</sup>                 | 75,000  | 56,250     | Intevac <sup>a</sup>                            | 114,050 | 766,416    |
| Kronos <sup>a</sup>                    | 20,750  | 1,054,308  | Oak Technology <sup>a,c</sup>                   | 20,000  | 124,200    |
| Lantronix <sup>a</sup>                 | 224,500 | 166,130    | PDF Solutions <sup>a</sup>                      | 25,000  | 288,750    |
| Mobility Electronics <sup>a,c</sup>    | 90,000  | 364,500    | Photronics <sup>a</sup>                         | 29,750  | 519,138    |
| MOCON                                  | 22,600  | 163,850    | Pixelworks <sup>a,c</sup>                       | 36,000  | 213,840    |
| Newport Corporation <sup>a</sup>       | 45,000  | 666,000    | Semitool <sup>a</sup>                           | 50,500  | 248,965    |
| OSI Systems <sup>a</sup>               | 20,000  | 321,200    | Teradyne <sup>a</sup>                           | 13,604  | 235,485    |
| Pemstar <sup>a,c</sup>                 | 71,500  | 299,585    | Xicor <sup>a</sup>                              | 35,000  | 219,450    |
| Performance Technologies <sup>a</sup>  | 24,750  | 180,675    |   |         | 4,651,784  |
| Printronix <sup>a</sup>                | 45,300  | 507,360    |   |         |            |
| Rainbow Technologies <sup>a</sup>      | 181,500 | 1,526,415  | Software - 3.8%                                 |         |            |
| Read-Rite <sup>a</sup>                 | 1,000   | 65         | ANSYS <sup>a</sup>                              | 15,400  | 478,940    |
| REMEC <sup>a,c</sup>                   | 182,500 | 1,270,200  | Aladdin Knowledge Systems <sup>a</sup>          | 27,300  | 103,494    |
| Spectrum Control <sup>a</sup>          | 12,500  | 70,250     | Applix <sup>a,c</sup>                           | 20,000  | 32,000     |
| TransAct Technologies <sup>a</sup>     | 68,200  | 827,266    | AsialInfo Holdings <sup>a,c</sup>               | 67,000  | 549,400    |
|  |         | 11,873,744 | Aspen Technology <sup>a,c</sup>                 | 22,000  | 105,600    |
| Distribution - 1.8%                    |         |            | Chordiant Software <sup>a</sup>                 | 160,000 | 297,600    |
| Bell Industries <sup>a</sup>           | 85,700  | 185,969    | ILOG ADR <sup>a,b,c</sup>                       | 35,000  | 292,950    |
| Daisytek International <sup>a</sup>    | 40,300  | 2,821      | Indus International <sup>a</sup>                | 144,800 | 290,903    |
| Jaco Electronics <sup>a</sup>          | 38,000  | 183,882    | JDA Software Group <sup>a</sup>                 | 110,500 | 1,236,495  |
| Nu Horizons Electronics <sup>a</sup>   | 40,000  | 240,000    | Lightspan <sup>a</sup>                          | 480,000 | 325,440    |
| PC Connection <sup>a</sup>             | 5,000   | 34,000     | MSC Software <sup>a,c</sup>                     | 63,700  | 429,338    |
| Pioneer-Standard Electronics           | 90,000  | 763,200    | PLATO Learning <sup>a</sup>                     | 70,000  | 402,500    |
| Plexus Corporation <sup>a</sup>        | 83,000  | 956,990    | Retek <sup>a</sup>                              | 25,000  | 160,000    |
|  |         |            | SCB Computer Technology <sup>a</sup>            | 50,000  | 80,000     |
| Pomeroy IT Solutions <sup>a</sup>      | 31,100  | 343,966    | SPSS <sup>a</sup>                               | 91,900  | 1,538,406  |
| <b>Richardson Electronics</b>          | 206,600 | 1,673,460  | Transaction Systems                             |         |            |
|  |         | 4,384,288  | Architects Cl. A <sup>a</sup>                   | 155,100 | 1,389,696  |
|  |         |            | Verity <sup>a</sup>                             | 95,000  | 1,202,700  |
|  |         |            |   |         | 8,915,462  |



|                                       |        |         |
|---------------------------------------|--------|---------|
| Internet Software and Services - 1.5% |        |         |
| Convera Corporation <sup>a,c</sup>    | 33,200 | 132,136 |
| CyberSource Corporation <sup>a</sup>  | 86,000 | 235,640 |

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**ROYCE MICRO-CAP TRUST, INC.**

**SCHEDULE OF INVESTMENTS**

**JUNE 30, 2003 (UNAUDITED)**

|   | SHARES  | VALUE      |  | SHARES       | VALUE      |
|---|---------|------------|--|--------------|------------|
| <b>Technology (continued)</b>                     |         |            | <b>PREFERRED STOCKS</b> □  |              |            |
| Telecommunication - 3.2%                          |         |            | <b>0.5%</b>  |              |            |
| ADC Telecommunications <sup>a,c</sup>             | 100,000 | \$ 232,800 | Angelo and Maxie □s  |              |            |
| Alliance Telecom <sup>a,c</sup>                   | 790,000 | 43,450     | 10.00% Conv.   | 6,991        | \$ 16,079  |
| Anaren <sup>a,c</sup>                             | 123,000 | 1,152,510  | <b>Seneca Foods Conv.</b> <sup>a</sup>   | 75,409       | 1,025,562  |
| Brooktrout <sup>a</sup>                           | 28,400  | 220,441    |  |              |            |
| C-COR.net <sup>a,c</sup>                          | 5,000   | 24,500     | <b>TOTAL PREFERRED STOCKS</b>  |              |            |
| Captaris <sup>a</sup>                             | 30,000  | 102,600    | (Cost \$957,998)   |              | 1,041,641  |
| Centillum Communications <sup>a</sup>             | 24,000  | 237,840    |  |              |            |
| Computer Access Technology <sup>a</sup>           | 48,000  | 156,000    | PRINCIPAL  |              |            |
| Computer Network Technology <sup>a,c</sup>        | 20,000  | 162,000    | AMOUNT   |              |            |
| Giga-tronics <sup>a</sup>                         | 3,200   | 5,536      |  |              |            |
| ITXC Corporation <sup>a</sup>                     | 36,000  | 93,960     | <b>U.S. TREASURY OBLIGATIONS</b> □   |              |            |
| Interland <sup>a</sup>                            | 25,000  | 24,500     | <b>2.1%</b>  |              |            |
| Level 3 Communications <sup>a,c</sup>             | 84,300  | 559,752    | U.S Treasury Notes   |              |            |
| Liberty Satellite & Technology Cl. A <sup>a</sup> | 118,200 | 307,320    | 1.875%, due 9/30/04  | \$ 5,000,000 | 5,049,220  |
| MetaSolv <sup>a,c</sup>                           | 44,100  | 86,436     |  |              |            |
| Optical Communication Products Cl. A <sup>a</sup> | 220,300 | 396,540    | <b>TOTAL U.S. TREASURY OBLIGATIONS</b>   |              |            |
| PC-Tel <sup>a</sup>                               | 31,100  | 368,846    | (Cost \$5,010,808)   |              | 5,049,220  |
| Radyne ComStream <sup>a</sup>                     | 65,000  | 132,600    |  |              |            |
| Somera Communications <sup>a,c</sup>              | 132,900 | 194,034    | <b>REPURCHASE AGREEMENT</b> □ <b>4.6%</b>  |              |            |
| SpectraLink Corporation <sup>a</sup>              | 132,000 | 1,304,160  | State Street Bank & Trust Company, 0.30% dated 6/30/03, due 7/1/03, maturity value |              |            |
| Tollgrade Communications <sup>a,c</sup>           | 20,000  | 373,000    | \$10,850,090   |              | 10,850,000 |
|   |         |            | (collateralized by U.S. Treasury Bonds, 8.50%)                                     |              |            |



|  |        |             |   |                       |
|--|--------|-------------|---|-----------------------|
|  |        |             | due 2/15/20, valued at<br>\$11,063,754<br>(Cost \$10,850,000) |                       |
| ViaSat <sup>a</sup>                                | 98,200 | 1,408,188   |   |                       |
|  |        |             | <b>TOTAL INVESTMENTS</b> □                                    |                       |
|  |        |             | <b>100.2%</b>   |                       |
|  |        | 7,587,013   | (Cost \$187,606,816)  | 237,151,621           |
| <b>Total</b> (Cost \$51,202,632)                   |        | 56,906,196  | <b>LIABILITIES LESS CASH<br/>AND OTHER ASSETS</b> □           |                       |
|  |        |             | <b>(0.2)%</b>   | (427,603)             |
| <b>Miscellaneous</b> □ <b>2.9%</b>                 |        |             | <b>NET ASSETS</b> □ <b>100.0%</b>                             |                       |
| <b>Total</b> (Cost \$5,766,793)                    |        | 6,896,550   |   | <b>\$ 236,724,018</b> |
| <b>TOTAL COMMON STOCKS</b><br>(Cost \$170,788,010) |        | 220,210,760 |   |                       |

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

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

<sup>c</sup> A portion of these securities were on loan at June 30, 2003. Total market value of loaned securities at June 30, 2003 was \$7,992,197.

<sup>d</sup> Securities for which market quotations are no longer readily available represent 1.06% of net assets. These securities have been valued at their fair value under procedures established by the Fund's Board of Directors.

□ New additions in 2003.

**Bold indicates the Fund's largest 20 equity holdings in terms of June 30, 2003 market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$188,619,900. At June 30, 2003, net unrealized depreciation appreciation for all securities was \$48,531,721, consisting of aggregate gross unrealized appreciation of \$65,691,964 and aggregate gross unrealized of \$17,160,243. 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.

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

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## ROYCE MICRO-CAP TRUST, INC.

### STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2003 (UNAUDITED)

#### ASSETS:

|  |                |
|--|----------------|
| Investments at value (identified cost \$176,756,816) | \$ 226,301,621 |
| Repurchase agreement (at cost and value)             | 10,850,000     |
| Cash   | 624            |
| Collateral from brokers on securities loaned         | 8,369,427      |
| Receivable for investments sold                      | 126,725        |

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|  |                       |
|--|-----------------------|
| Receivable for dividends and interest  | 70,652                |
| Prepaid expenses   | 9,686                 |
| <b>Total Assets</b>  | <b>245,728,735</b>    |
| <b>LIABILITIES:</b>  |                       |
| Payable for collateral on securities loaned  | 8,369,427             |
| Payable for investments purchased  | 194,112               |
| Payable for investment advisory fee  | 278,115               |
| Preferred dividends accrued but not yet declared   | 68,887                |
| Accrued expenses   | 94,176                |
| <b>Total Liabilities</b>   | <b>9,004,717</b>      |
| <b>Net Assets</b>  | <b>\$ 236,724,018</b> |
| <b>ANALYSIS OF NET ASSETS:</b>   |                       |
| <b>PREFERRED STOCK:</b>  |                       |
| Par value of 7.75% Cumulative Preferred Stock $\square$ \$0.001 per share; 1,600,000 shares outstanding              | \$ 1,600              |
| Additional paid-in capital   | 39,998,400            |
| <b>Net Assets applicable to Preferred Stock at a liquidation value of \$25 per share</b>                             | <b>40,000,000</b>     |
| <b>COMMON STOCK:</b>   |                       |
| Par value of Common Stock $\square$ \$0.001 per share; 18,540,334 shares outstanding (150,000,000 shares authorized) | 18,540                |
| Additional paid-in capital   | 142,059,397           |
| Accumulated net investment loss  | (1,199,081)           |
| Accumulated net realized gain on investments   | 16,392,806            |
| Net unrealized appreciation on investments   | 49,544,805            |
| Quarterly and accrued distributions  | (10,092,449)          |
| <b>Net Assets applicable to Common Stock (net asset value per share <math>\square</math> \$10.61)</b>                | <b>196,724,018</b>    |
| <b>Net Assets</b>  | <b>\$ 236,724,018</b> |

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

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**ROYCE MICRO-CAP TRUST, INC.**

**STATEMENT OF OPERATIONS**

**SIX MONTHS ENDED JUNE 30, 2003  
(UNAUDITED)**

**INVESTMENT INCOME:**

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|  |           |                   |
|--|-----------|-------------------|
| Income:  |           |                   |
| Dividends  | \$        | 402,854           |
| Interest   |           | 72,794            |
| <hr/>  |           |                   |
| Total income   |           | 475,648           |
| <hr/>  |           |                   |
| Expenses:  |           |                   |
| Investment advisory fees                                     |           | 1,658,923         |
| Custody and transfer agent fees                              |           | 61,256            |
| Stockholder reports  |           | 48,061            |
| Professional fees  |           | 30,077            |
| Directors' fees  |           | 26,132            |
| Administrative and office facilities expenses                |           | 16,672            |
| Other expenses   |           | 33,608            |
| <hr/>  |           |                   |
| Total expenses   |           | 1,874,729         |
| Fees waived by investment advisor                            |           | (200,000)         |
| <hr/>  |           |                   |
| Net expenses   |           | 1,674,729         |
| <hr/>  |           |                   |
| Net investment loss  |           | (1,199,081)       |
| <hr/>  |           |                   |
| <b>REALIZED AND UNREALIZED GAIN ON INVESTMENTS:</b>          |           |                   |
| Net realized gain on investments                             |           | 12,706,206        |
| Net change in unrealized appreciation on investments         |           | 21,690,144        |
| <hr/>  |           |                   |
| Net realized and unrealized gain on investments              |           | 34,396,350        |
| <hr/>  |           |                   |
| <b>NET INCREASE IN NET ASSETS FROM INVESTMENT OPERATIONS</b> | <b>\$</b> | <b>33,197,269</b> |

**STATEMENTS OF CHANGES IN NET ASSETS**

|  | Six months ended<br>June 30, 2003<br>(unaudited) | Year ended<br>December 31,<br>2002 |
|--|--|------------------------------------|
|  | <hr/>  | <hr/>                              |
| <b>INVESTMENT OPERATIONS:</b>                                    |  |                                    |
| Net investment loss  | \$ (1,199,081)                                   | \$ (2,363,582)                     |
| Net realized gain on investments                                 | 12,706,206                                       | 16,747,557                         |
| Net change in unrealized appreciation on investments             | 21,690,144                                       | (38,936,315)                       |
| <hr/>  |  |                                    |
| Net increase (decrease) in net assets from investment operations | 33,197,269                                       | (24,552,340)                       |
| <hr/>  |  |                                    |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                  |  |                                    |
| Net investment income  | □  | □                                  |
| Net realized gain on investments                                 | □  | (3,100,000)                        |
| Quarterly distributions *  | (1,550,000)                                      | □                                  |
| <hr/>  |  |                                    |
| Total distributions to Preferred Stockholders                    | (1,550,000)                                      | (3,100,000)                        |
| <hr/>  |  |                                    |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                     |  |                                    |
| Net investment income  | □  | □                                  |
| Net realized gain on investments                                 | □  | (13,769,198)                       |
| Quarterly distributions *  | (8,473,560)                                      | □                                  |
| <hr/>  |  |                                    |
| Total distributions to Common Stockholders                       | (8,473,560)                                      | (13,769,198)                       |

**CAPITAL STOCK TRANSACTIONS:**

|  |                |                |
|--|----------------|----------------|
| Reinvestment of distributions to Common Stockholders                             | 5,979,130      | 8,549,592      |
| <b>NET INCREASE (DECREASE) IN NET ASSETS</b>                                     | 29,152,839     | (32,871,946)   |
| <b>NET ASSETS:</b>   |                |                |
| Beginning of period  | 207,571,179    | 240,443,125    |
| End of period (including accumulated net investment loss of \$1,199,081 in 2003) | \$ 236,724,018 | \$ 207,571,179 |

\* To be allocated to net investment income and capital gains at year-end.

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

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**ROYCE MICRO-CAP TRUST, INC.****FINANCIAL HIGHLIGHTS**

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

|   | Six months ended<br>June 30, 2003<br>(unaudited) | Years ended December 31, |         |         |         |         |
|---|--|--------------------------|---------|---------|---------|---------|
|   |  | 2002                     | 2001    | 2000    | 1999    | 1998    |
| <b>NET ASSET VALUE,<br/>BEGINNING OF<br/>PERIOD</b>             | \$9.39   | \$11.83                  | \$10.14 | \$11.00 | \$10.06 | \$10.84 |
| <b>INVESTMENT<br/>OPERATIONS:</b>                               |  |                          |         |         |         |         |
| Net investment<br>income (loss)                                 | (0.06)   | (0.13)                   | (0.05)  | 0.09    | 0.12    | 0.13    |
| Net realized and<br>unrealized gain<br>(loss) on<br>investments | 1.87   | (1.29)                   | 2.57    | 1.23    | 1.35    | (0.36)  |
| Total investment<br>operations                                  | 1.81   | (1.42)                   | 2.52    | 1.32    | 1.47    | (0.23)  |
| <b>DISTRIBUTIONS<br/>TO PREFERRED<br/>STOCKHOLDERS:</b>         |  |                          |         |         |         |         |
| Net investment<br>income  | □  | □                        | □       | (0.01)  | (0.05)  | (0.06)  |

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|  |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Net realized gain on investments   | □         | (0.18)    | (0.19)    | (0.22)    | (0.18)    | (0.18)    |
| Quarterly distributions *  | (0.09)    | □         | □         | □         | □         | □         |
| <hr/>  |           |           |           |           |           |           |
| Total distributions to Preferred Stockholders                                | (0.09)    | (0.18)    | (0.19)    | (0.23)    | (0.23)    | (0.24)    |
| <hr/>  |           |           |           |           |           |           |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                 |           |           |           |           |           |           |
| Net investment income  | □         | □         | □         | (0.09)    | (0.06)    | (0.07)    |
| Net realized gain on investments   | □         | (0.80)    | (0.57)    | (1.63)    | (0.21)    | (0.22)    |
| Quarterly distributions *  | (0.47)    | □         | □         | □         | □         | □         |
| <hr/>  |           |           |           |           |           |           |
| Total distributions to Common Stockholders                                   | (0.47)    | (0.80)    | (0.57)    | (1.72)    | (0.27)    | (0.29)    |
| <hr/>  |           |           |           |           |           |           |
| <b>CAPITAL STOCK TRANSACTIONS:</b>   |           |           |           |           |           |           |
| Effect of reinvestment of distributions by Common Stockholders               | (0.03)    | (0.04)    | (0.07)    | (0.23)    | (0.03)    | (0.02)    |
| <hr/>  |           |           |           |           |           |           |
| Total capital stock transactions   | (0.03)    | (0.04)    | (0.07)    | (0.23)    | (0.03)    | (0.02)    |
| <hr/>  |           |           |           |           |           |           |
| <b>NET ASSET VALUE, END OF PERIOD</b>  | \$10.61   | \$9.39    | \$11.83   | \$10.14   | \$11.00   | \$10.06   |
| <hr/>  |           |           |           |           |           |           |
| <b>MARKET VALUE, END OF PERIOD</b>   | \$9.77    | \$8.44    | \$10.50   | \$8.625   | \$9.00    | \$8.875   |
| <hr/>  |           |           |           |           |           |           |
| <b>TOTAL RETURN (a):</b>   |           |           |           |           |           |           |
| Market Value   | 22.2%***  | (12.7)%   | 28.8%     | 15.3%     | 4.5%      | (9.4)%    |
| Net Asset Value  | 19.3%***  | (13.8)%   | 23.4%     | 10.9%     | 12.7%     | (4.1)%    |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b> |           |           |           |           |           |           |
| Total expenses (b,c)   | 1.98%**   | 1.96%     | 1.78%     | 1.32%     | 1.27%     | 1.18%     |
| Management fee expense   | 1.72%**   | 1.59%     | 1.57%     | 1.08%     | 0.91%     | 0.80%     |
| Other operating expenses   | 0.26%**   | 0.37%     | 0.21%     | 0.24%     | 0.36%     | 0.38%     |
| Net investment income (loss)   | (1.42)%** | (1.23)%   | (0.43)%   | 0.74%     | 1.20%     | 1.21%     |
| <b>SUPPLEMENTAL DATA:</b>  |           |           |           |           |           |           |
| Net Assets, End of Period (in thousands)                                     | \$236,724 | \$207,571 | \$240,443 | \$203,820 | \$191,269 | \$175,495 |
| Portfolio Turnover Rate  | 11%       | 39%       | 27%       | 49%       | 49%       | 44%       |
| <b>PREFERRED STOCK:</b>  |           |           |           |           |           |           |

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|                                    |           |           |           |           |           |           |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total shares outstanding           | 1,600,000 | 1,600,000 | 1,600,000 | 1,600,000 | 1,600,000 | 1,600,000 |
| Asset coverage per share           | \$147.95  | \$129.73  | \$150.28  | \$127.39  | \$119.54  | \$109.68  |
| Liquidation preference per share   | \$25.00   | \$25.00   | \$25.00   | \$25.00   | \$25.00   | \$25.00   |
| Average market value per share (d) | \$25.90   | \$25.91   | \$25.30   | \$23.08   | \$24.67   | \$25.40   |

- (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 were 1.60%, 1.62%, 1.46%, 1.06%, 0.98% and 0.92% for the periods ended June 30, 2003 and December 31, 2002, 2001, 2000, 1999 and 1998, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 2.21%, 2.04%, 1.81%, 1.44% and 1.24% for the periods ended June 30, 2003 and December 31, 2002, 2001, 1999 and 1998, respectively.
- (d) The average of month-end market values during the period.

\* To be allocated to net investment income and capital gains at year-end.

\*\* Annualized.

\*\*\* Not annualized.

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### ROYCE MICRO-CAP TRUST, INC.

#### NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

##### 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 listed on an exchange or the Nasdaq National Market System (NMS) are valued at their last reported sales price or official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price for exchange-listed securities and at the average of their bid

and asked prices for Nasdaq NMS securities. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

**Investment Transactions and Related Investment Income:**

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

**Expenses:**

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted a deferred fee agreement that allows the Fund's Directors to defer the receipt of all or a portion of Directors' Fees 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 fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

**Distributions:**

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. Distributions are determined in accordance with income tax regulations that may differ from 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 enters into repurchase agreements with respect to its portfolio securities solely with State Street Bank and Trust Company ("SSB&T"), the custodian of its assets. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

**Securities Lending:**

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. This income is included in interest income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily, typically, and specifically at June 30, 2003, in a registered money market fund, by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

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**ROYCE MICRO-CAP TRUST, INC.**

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**NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

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**Capital Stock:**

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

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

The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that 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.

The Fund issued 698,276 and 896,290 shares of Common Stock as reinvestment of distributions by Common Stockholders for the periods ended June 30, 2003 and December 31, 2002, respectively.

**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 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 month-end net assets of the Fund for the rolling 36-month period ending with such month. The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the Russell 2000 for the performance period by more than two percentage points. The performance period for each such month 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 the Fund's Preferred Stock for any month in which the Fund's average annual NAV total return since issuance of the Preferred Stock fails to exceed the Preferred Stock's dividend rate.

For the six months ended June 30, 2003, the Fund accrued and paid Royce advisory fees totaling \$1,458,923, which is net of \$200,000 voluntarily waived by Royce.



**Purchases and Sales of Investment Securities:**

For the six months ended June 30, 2003, the cost of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to \$22,799,895 and \$34,025,558, 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 six months ended June 30, 2003:

| Affiliated Company       | Purchases |      | Sales  |            | Realized Gain (Loss) | Dividend Income |
|--------------------------|-----------|------|--------|------------|----------------------|-----------------|
|                          | Shares    | Cost | Shares | Cost       |                      |                 |
| Technical Communications | 0         | 0    | 96,700 | \$ 108,304 | \$(61,331)           | 0               |

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**ROYCE FOCUS TRUST, INC.****SCHEDULE OF INVESTMENTS****JUNE 30, 2003 (UNAUDITED)****COMMON STOCKS 74.9%**

|   | SHARES  | VALUE            |                                  | SHARES  | VALUE            |
|---|---------|------------------|----------------------------------|---------|------------------|
| <b>Consumer Products 6.2%</b>             |         |                  | <b>Machinery - 3.5%</b>          |         |                  |
| Sports and Recreation - 3.6%              |         |                  | <b>Lincoln Electric Holdings</b> | 99,800  | \$ 2,036,918     |
| Callaway Golf                             | 100,000 | \$ 1,322,000     | Woodward Governor                | 24,400  | 1,049,200        |
| <b>Winnebago Industries</b> <sup>c</sup>  | 50,000  | 1,895,000        |                                  |         |                  |
|   |         | <u>3,217,000</u> |                                  |         | <u>3,086,118</u> |
| Other Consumer Products - 2.6%            |         |                  | <b>Total (Cost \$4,617,941)</b>  |         | <u>8,056,806</u> |
| Oakley <sup>a</sup>                       | 75,000  | 882,750          | <b>Industrial Services 7.1%</b>  |         |                  |
| <b>Yankee Candle Company</b> <sup>a</sup> | 60,000  | 1,393,200        | Commercial Services - 5.3%       |         |                  |
|   |         | <u>2,275,950</u> | Carlisle Holdings <sup>a</sup>   | 400,000 | 1,320,000        |
| <b>Total (Cost \$4,305,372)</b>           |         | <u>5,492,950</u> | Cornell Companies <sup>a</sup>   | 75,000  | 1,135,500        |
|   |         |                  | Covance <sup>a</sup>             | 50,000  | 905,000          |
|   |         |                  | West Corporation <sup>a</sup>    | 50,000  | 1,332,500        |

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|   |         |           |  |   |                   |
|---|---------|-----------|--|---|-------------------|
| <b>Consumer Services</b> □ <b>5.2%</b>              |         |           |  |   |                   |
| Direct Marketing - 2.4%                             |         |           |  |   | 4,693,000         |
| <b>Nu Skin Enterprises Cl. A</b>                    | 200,000 | 2,090,000 |  |   |                   |
| Retail Stores - 2.8%                                |         |           |  | Engineering and Construction - 1.8%     |                   |
| Big Lots <sup>a</sup>                               | 89,400  | 1,344,576 |  | <b>Dycom Industries</b> <sup>a</sup>    | 100,000 1,630,000 |
| Charming Shoppes <sup>a,c</sup>                     | 230,000 | 1,143,100 |  | <b>Total</b> (Cost \$3,871,542)         | 6,323,000         |
|   |         | 2,487,676 |  | <b>Natural Resources</b> □ <b>12.2%</b> |                   |
| <b>Total</b> (Cost \$3,614,159)                     |         | 4,577,676 |  | Energy Services - 2.7%                  |                   |
|   |         |           |  | Ensign Resource Service Group           | 53,000 789,674    |
| <b>Financial Intermediaries</b> □ <b>9.3%</b>       |         |           |  | <b>Input/Output</b> <sup>a</sup>        | 300,000 1,614,000 |
| Insurance - 5.1%                                    |         |           |  |   | 2,403,674         |
| ProAssurance Corporation <sup>a</sup>               | 47,155  | 1,272,713 |  | Oil and Gas - 1.6%                      |                   |
| <b>White Mountains Insurance Group</b> <sup>c</sup> | 4,000   | 1,580,000 |  | <b>Tom Brown</b> <sup>a</sup>           | 50,000 1,389,500  |
| <b>Zenith National Insurance</b>                    | 59,000  | 1,681,500 |  | Precious Metals and Mining - 7.9%       |                   |
|   |         | 4,534,213 |  | AngloGold ADR <sup>b</sup>              | 25,000 797,500    |
| Securities Brokers - 1.4%                           |         |           |  | <b>Apex Silver Mines</b> <sup>a</sup>   | 100,000 1,475,000 |
| <b>E*TRADE Group</b> <sup>a</sup>                   | 150,000 | 1,275,000 |  | Glamis Gold <sup>a</sup>                | 125,000 1,433,750 |
| Other Financial Intermediaries - 2.8%               |         |           |  | <b>Goldcorp</b>                         | 180,000 2,160,000 |
| <b>TSX Group</b>                                    | 120,000 | 2,434,077 |  | Meridian Gold <sup>a</sup>              | 99,800 1,146,702  |
| <b>Total</b> (Cost \$4,622,704)                     |         | 8,243,290 |  | <b>Total</b> (Cost \$8,749,421)         | 7,012,952         |
|   |         |           |  |   | 10,806,126        |
| <b>Financial Services</b> □ <b>1.7%</b>             |         |           |  | <b>Technology</b> □ <b>13.7%</b>        |                   |
| Information and Processing - 1.1%                   |         |           |  | Components and Systems - 1.6%           |                   |
| EFunds Corporation <sup>a</sup>                     | 85,000  | 980,050   |  | <b>REMEC</b> <sup>a</sup>               | 200,000 1,392,000 |
| Investment Management - 0.6%                        |         |           |  | Distribution - 1.2%                     |                   |
| U.S. Global Investors Cl. A <sup>a,c</sup>          | 295,605 | 546,869   |  | Richardson Electronics                  | 129,000 1,044,900 |
| <b>Total</b> (Cost \$1,566,006)                     |         | 1,526,919 |  | Internet Software and Services - 1.6%   |                   |
|   |         |           |  | Overstock.com <sup>a,c</sup>            | 100,000 1,451,000 |
| <b>Health</b> □ <b>10.4%</b>                        |         |           |  | IT Services - 3.0%                      |                   |
| Drugs and Biotech - 8.8%                            |         |           |  | <b>Perot Systems Cl. A</b> <sup>a</sup> | 140,500 1,596,080 |
| Antigenics <sup>a,c</sup>                           | 80,000  | 921,600   |  | Syntel <sup>a</sup>                     | 70,000 1,101,100  |
| Durect Corporation <sup>a,c</sup>                   | 220,000 | 530,200   |  |   | 2,697,180         |
| Emisphere Technologies <sup>a</sup>                 | 200,000 | 720,000   |  |   |                   |
| <b>Endo Pharmaceuticals Holdings</b> <sup>a</sup>   | 100,000 | 1,692,000 |  |   |                   |
| Lexicon Genetics <sup>a</sup>                       | 200,000 | 1,342,000 |  |   |                   |
| Perrigo Company                                     | 87,300  | 1,365,372 |  |   |                   |

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|   |         |           |                                     |         |           |
|---|---------|-----------|-------------------------------------|---------|-----------|
| VIVUS <sup>a,c</sup>                      | 250,000 | 1,285,000 | Semiconductors and Equipment - 1.9% |         |           |
|   |         |           | Exar Corporation <sup>a</sup>       | 50,000  | 791,500   |
|   |         | 7,856,172 | ParthusCeva <sup>a,c</sup>          | 109,600 | 893,240   |
| Personal Care - 1.6%                      |         |           |                                     |         | 1,684,740 |
| <b>Ocular Sciences <sup>a</sup></b>       | 70,000  | 1,389,500 |                                     |         |           |
| <b>Total</b> (Cost \$7,522,624)           |         | 9,245,672 | Software - 1.6%                     |         |           |
|   |         |           | Lightspan <sup>a</sup>              | 750,000 | 508,500   |
|   |         |           | Transaction Systems                 |         |           |
|   |         |           | Architects Cl. A <sup>a</sup>       | 100,000 | 896,000   |
| <b>Industrial Products</b> □ <b>9.1%</b>  |         |           |                                     |         |           |
| Building Systems and Components - 2.9%    |         |           |                                     |         | 1,404,500 |
| <b>Simpson Manufacturing <sup>a</sup></b> | 70,000  | 2,562,000 |                                     |         |           |
| Construction Materials - 2.7%             |         |           |                                     |         |           |
| <b>Florida Rock Industries</b>            | 58,350  | 2,408,688 |                                     |         |           |

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**ROYCE FOCUS TRUST, INC.**

**SCHEDULE OF INVESTMENTS**

**JUNE 30, 2003 (UNAUDITED)**

|                                  | SHARES  | VALUE        |   | PRINCIPAL AMOUNT | VALUE        |
|----------------------------------|---------|--------------|---|------------------|--------------|
| <b>Technology (continued)</b>    |         |              | <b>U.S. TREASURY OBLIGATIONS</b> □  |                  |              |
| Telecommunication - 2.8%         |         |              | <b>6.0%</b>   |                  |              |
| Anaren <sup>a,c</sup>            | 140,000 | \$ 1,311,800 | U.S. Treasury Notes   |                  |              |
| ViaSat <sup>a,c</sup>            | 83,700  | 1,200,258    | 7.25%, due 8/15/04  | \$ 5,000,000     | \$ 5,344,725 |
|                                  |         |              | <b>TOTAL U.S. TREASURY OBLIGATIONS</b>  |                  |              |
|                                  |         | 2,512,058    | (Cost \$5,033,324)  |                  | 5,344,725    |
| <b>Total</b> (Cost \$10,466,402) |         | 12,186,378   | <b>REPURCHASE AGREEMENT</b> □ <b>9.5%</b>   |                  |              |
| <b>TOTAL COMMON STOCKS</b>       |         |              | State Street Bank & Trust Company, 0.30% dated 6/30/03, due 7/1/03, maturity value \$8,442,070 (collateralized by U.S. Treasury Bonds, 6.375% due 8/15/27, valued at \$8,613,909) |                  |              |
| (Cost \$49,336,171)              |         | 66,458,817   |   |                  |              |

|   |                     |           |                                       |                      |
|---|---------------------|-----------|---------------------------------------|----------------------|
|   | PRINCIPAL<br>AMOUNT |           | (Cost \$8,442,000)                    | 8,442,000            |
|   |                     |           | <b>TOTAL INVESTMENTS</b> □            |                      |
|   |                     |           | <b>99.4%</b>                          |                      |
| <b>CORPORATE BONDS</b> □                  |                     |           | (Cost \$69,948,953)                   | 88,210,927           |
| <b>3.3%</b>                               |                     |           |                                       |                      |
| <b>E*TRADE Group 6.00%</b>                |                     |           |                                       |                      |
| Conv. Sub. Note due 2/1/07                | \$ 3,000,000        | 2,940,000 |                                       |                      |
|   |                     |           | <b>CASH AND OTHER<br/>ASSETS</b>      |                      |
|   |                     |           | <b>LESS LIABILITIES</b> □ <b>0.6%</b> | 519,568              |
| <b>TOTAL CORPORATE<br/>BONDS</b>          |                     | 2,940,000 | <b>NET ASSETS</b> □ <b>100%</b>       | <b>\$ 88,730,495</b> |
| (Cost \$2,226,761)                        |                     |           |                                       |                      |
| <b>GOVERNMENT BONDS</b> □                 |                     |           |                                       |                      |
| <b>5.7%</b>                               |                     |           |                                       |                      |
| <b>New Zealand 6.50%, due<br/>2/15/06</b> | 8,250,000           | 5,025,385 |                                       |                      |
| <b>TOTAL GOVERNMENT<br/>BONDS</b>         |                     | 5,025,385 |                                       |                      |
| (Cost \$4,910,697)                        |                     |           |                                       |                      |

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

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

<sup>c</sup> A portion of these securities were on loan at June 30, 2003. Total market value of loaned securities at June 30, 2003 was \$3,305,289.

□ New additions in 2003.

**Bold indicates the Fund's largest 20 equity holdings in terms of June 30, 2003 market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$70,316,034. At June 30, 2003, net unrealized appreciation for all securities was \$17,894,893, consisting of aggregate gross unrealized appreciation of \$19,366,001 and aggregate gross unrealized depreciation of \$1,471,108. 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.

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

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## ROYCE FOCUS TRUST, INC.

### STATEMENT OF ASSETS AND LIABILITIES

**JUNE 30, 2003**  
**(UNAUDITED)**

#### ASSETS:

|   |               |
|---|---------------|
| Investments at value (identified cost \$61,506,953) | \$ 79,768,927 |
| Repurchase agreement (at cost and value)            | 8,442,000     |

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|   |                      |
|---|----------------------|
| Cash  | 517                  |
| Collateral from brokers on securities loaned  | 3,403,611            |
| Receivable for investments sold   | 284,594              |
| Receivable for dividends and interest   | 370,313              |
| Prepaid expenses  | 11,545               |
| <b>Total Assets</b>   | <b>92,281,507</b>    |
| <b>LIABILITIES:</b>   |                      |
| Payable for collateral on securities loaned   | 3,403,611            |
| Payable for investment advisory fee   | 56,720               |
| Preferred dividends accrued but not yet declared  | 33,112               |
| Accrued expenses  | 57,569               |
| <b>Total Liabilities</b>  | <b>3,551,012</b>     |
| <b>Net Assets</b>   | <b>\$ 88,730,495</b> |
| <b>ANALYSIS OF NET ASSETS:</b>  |                      |
| <b>PREFERRED STOCK:</b>   |                      |
| Par value of 7.45% Cumulative Preferred Stock $\square$ \$0.001 per share; 800,000 shares outstanding               | \$ 800               |
| Additional paid-in capital  | 19,999,200           |
| <b>Net Assets applicable to Preferred Stock at a liquidation value of \$25 per share</b>                            | <b>20,000,000</b>    |
| <b>COMMON STOCK:</b>  |                      |
| Par value of Common Stock $\square$ \$0.001 per share; 9,241,025 shares outstanding (100,000,000 shares authorized) | 9,241                |
| Additional paid-in capital  | 45,713,027           |
| Undistributed net investment income   | 165,852              |
| Accumulated net realized gain on investments  | 5,356,492            |
| Net unrealized appreciation on investments  | 18,263,995           |
| Quarterly and accrued distributions   | (778,112)            |
| <b>Net Assets applicable to Common Stock (net asset value per share <math>\square</math> \$7.44)</b>                | <b>68,730,495</b>    |
| <b>Net Assets</b>   | <b>\$ 88,730,495</b> |

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

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**ROYCE FOCUS TRUST, INC.**

**STATEMENT OF OPERATIONS**

**SIX MONTHS ENDED JUNE 30,  
2003 (UNAUDITED)**

**INVESTMENT INCOME:**

|  |    |                     |
|--|----|---------------------|
| Income:  |    |                     |
| Interest   | \$ | 401,058             |
| Dividends  |    | 197,770             |
| <b>Total income</b>  |    | <b>598,828</b>      |
| Expenses:  |    |                     |
| Investment advisory fees                                     |    | 392,077             |
| Custody and transfer agent fees                              |    | 38,899              |
| Stockholder reports  |    | 26,154              |
| Professional fees  |    | 25,830              |
| Directors' fees  |    | 15,771              |
| Administrative and office facilities expenses                |    | 6,178               |
| Other expenses   |    | 27,244              |
| <b>Total expenses</b>  |    | <b>532,153</b>      |
| Fees waived by investment adviser                            |    | (99,177)            |
| <b>Net expenses</b>  |    | <b>432,976</b>      |
| <b>Net investment income</b>                                 |    | <b>165,852</b>      |
| <b>REALIZED AND UNREALIZED GAIN ON INVESTMENTS:</b>          |    |                     |
| Net realized gain on investments                             |    | 4,290,829           |
| Net change in unrealized appreciation on investments         |    | 7,062,848           |
| <b>Net realized and unrealized gain on investments</b>       |    | <b>11,353,677</b>   |
| <b>NET INCREASE IN NET ASSETS FROM INVESTMENT OPERATIONS</b> |    | <b>\$11,519,529</b> |

**STATEMENTS OF CHANGES IN NET ASSETS**

|   | Six months ended<br>June 30, 2003<br>(unaudited) | Year ended<br>December 31,<br>2002 |
|---|--|------------------------------------|
| <b>INVESTMENT OPERATIONS:</b>   |  |                                    |
| Net investment income (loss)  | \$ 165,852                                       | (103,396)                          |
| Net realized gain on investments  | 4,290,829  | 1,317,847                          |
| Net change in unrealized appreciation on investments                    | 7,062,848  | (8,047,125)                        |
| <b>Net increase (decrease) in net assets from investment operations</b> | <b>11,519,529</b>                                | <b>(6,832,674)</b>                 |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                         |  |                                    |
| Net investment income   | □  | (272,620)                          |
| Net realized gain on investments  | □  | (1,217,380)                        |
| Quarterly distributions*  | (745,000)  | □                                  |
| <b>Total distributions to Preferred Stockholders</b>                    | <b>(745,000)</b>                                 | <b>(1,490,000)</b>                 |

**DISTRIBUTIONS TO COMMON STOCKHOLDERS:**

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|  |               |               |
|--|---------------|---------------|
| Net investment income  | □             | (150,865)     |
| Net realized gain on investments   | □             | (673,654)     |
| <hr/>  |               |               |
| Total distributions to Common Stockholders   | □             | (824,519)     |
| <hr/>  |               |               |
| <b>CAPITAL STOCK TRANSACTIONS:</b>   |               |               |
| Reinvestment of distributions to Common Stockholders                               | □             | 449,516       |
| <hr/>  |               |               |
| <b>NET INCREASE (DECREASE) IN NET ASSETS</b>                                       | 10,774,529    | (8,697,677)   |
| <b>NET ASSETS:</b>   |               |               |
| Beginning of period  | 77,955,966    | 86,653,643    |
| <hr/>  |               |               |
| End of period (including undistributed net investment income of \$165,852 in 2003) | \$ 88,730,495 | \$ 77,955,966 |

\* To be allocated to net investment income and capital gains at year-end.

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

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**ROYCE FOCUS TRUST, INC.**

**FINANCIAL HIGHLIGHTS**

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

|  | Six months ended<br>June 30, 2003<br>(unaudited) | Years ended December 31, |        |        |        |        |
|--|--|--------------------------|--------|--------|--------|--------|
|  |  | 2002                     | 2001   | 2000   | 1999   | 1998   |
| <b>NET ASSET VALUE, BEGINNING OF PERIOD</b>            | \$6.27   | \$7.28                   | \$6.77 | \$5.94 | \$5.63 | \$6.04 |
| <b>INVESTMENT OPERATIONS:</b>                          |  |                          |        |        |        |        |
| Net investment income (loss)                           | 0.02   | (0.01)                   | 0.05   | 0.12   | 0.08   | 0.12   |
| Net realized and unrealized gain (loss) on investments | 1.23   | (0.74)                   | 0.79   | 1.26   | 0.58   | (0.35) |
| Total investment operations                            | 1.25   | (0.75)                   | 0.84   | 1.38   | 0.66   | (0.23) |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>        |  |                          |        |        |        |        |
| Net investment income                                  | □  | (0.03)                   | (0.04) | (0.03) | (0.01) | (0.16) |
| Net realized gain on investments                       | □  | (0.13)                   | (0.13) | (0.14) | (0.17) | (0.02) |
| Quarterly distributions *                              | (0.08)   | □                        | □      | □      | □      | □      |

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|  |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|
| Total distributions to Preferred Stockholders                                | (0.08)   | (0.16)   | (0.17)   | (0.17)   | (0.18)   | (0.18)   |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                 |          |          |          |          |          |          |
| Net investment income  | □        | (0.02)   | (0.03)   | (0.06)   | (0.01)   | □        |
| Net realized gain on investments   | □        | (0.07)   | (0.11)   | (0.28)   | (0.14)   | □        |
| Total distributions to Common Stockholders                                   | □        | (0.09)   | (0.14)   | (0.34)   | (0.15)   | □        |
| <b>CAPITAL STOCK TRANSACTIONS:</b>   |          |          |          |          |          |          |
| Effect of reinvestment of distributions by Common Stockholders               | □        | (0.01)   | (0.02)   | (0.04)   | (0.02)   | □        |
| Total capital stock transactions   | □        | (0.01)   | (0.02)   | (0.04)   | (0.02)   | □        |
| <b>NET ASSET VALUE, END OF PERIOD</b>  | \$7.44   | \$6.27   | \$7.28   | \$6.77   | \$5.94   | \$5.63   |
| <b>MARKET VALUE, END OF PERIOD</b>   | \$6.77   | \$5.56   | \$6.65   | \$5.69   | \$4.72   | \$4.88   |
| <b>TOTAL RETURN (a):</b>   |          |          |          |          |          |          |
| Market Value   | 21.8%*** | (15.1)%  | 19.7%    | 27.9%    | (0.3)%   | (3.7)%   |
| Net Asset Value  | 18.7%*** | (12.5)%  | 10.0%    | 20.9%    | 8.7%     | (6.8)%   |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b> |          |          |          |          |          |          |
| Total expenses (b,c)   | 1.48%**  | 1.88%    | 1.47%    | 1.44%    | 1.51%    | 1.62%    |
| Management fee expense   | 1.00%**  | 1.13%    | 1.11%    | 1.00%    | 1.00%    | 1.14%    |
| Other operating expenses   | 0.48%**  | 0.75%    | 0.36%    | 0.44%    | 0.51%    | 0.48%    |
| Net investment income (loss)   | 0.57%**  | (0.16)%  | 0.70%    | 1.93%    | 1.47%    | 1.95%    |
| <b>SUPPLEMENTAL DATA:</b>  |          |          |          |          |          |          |
| Net Assets, End of Period (in thousands)                                     | \$88,730 | \$77,956 | \$86,654 | \$80,933 | \$71,003 | \$67,457 |
| Portfolio Turnover Rate  | 34%      | 61%      | 54%      | 69%      | 60%      | 90%      |
| <b>PREFERRED STOCK:</b>  |          |          |          |          |          |          |
| Total shares outstanding   | 800,000  | 800,000  | 800,000  | 800,000  | 800,000  | 800,000  |
| Asset coverage per share   | \$110.91 | \$97.44  | \$108.32 | \$101.17 | \$88.75  | \$84.32  |
| Liquidation preference per share   | \$25.00  | \$25.00  | \$25.00  | \$25.00  | \$25.00  | \$25.00  |
| Average market value per share (d)   | \$25.62  | \$25.64  | \$25.09  | \$22.23  | \$24.00  | \$25.16  |

- (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 were 1.10%, 1.43%, 1.11%, 1.05%, 1.06% and 1.16% for the periods ended June 30, 2003 and December 31, 2002, 2001, 2000, 1999 and 1998, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.82%, 2.06%, 1.69%, 1.81%, 1.93% and 1.88% for the periods ended June 30, 2003 and December 31, 2002, 2001, 2000, 1999 and 1998, respectively.
- (d) The average of month-end market values during the period.

\* To be allocated to net investment income and capital gains at year-end.  
 \*\* Annualized.  
 \*\*\* Not annualized.



## ROYCE FOCUS TRUST, INC.

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### NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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#### 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 listed on an exchange or the Nasdaq National Market System (NMS) are valued at their last reported sales price or official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price for exchange-listed securities and at the average of their bid and asked prices for Nasdaq NMS securities. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

#### Investment Transactions and Related Investment Income:

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

#### Expenses:

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted a deferred fee agreement that allows the Fund's Directors to defer the receipt of all or a portion of Directors' Fees 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 fiscal year. The Schedule of Investments includes information regarding income taxes under

the caption Income Tax Information.

**Distributions:**

Distributions to Common Stockholders are recorded on the ex-dividend date and paid annually in December. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. Distributions are determined in accordance with income tax regulations that may differ from 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 enters into repurchase agreements with respect to its portfolio securities solely with State Street Bank and Trust Company (SSB&T), the custodian of its assets. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

**Securities Lending:**

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. This income is included in interest income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily, typically, and specifically at June 30, 2003, in a registered money market fund, by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

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**ROYCE FOCUS TRUST, INC.**

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**NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)**

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**Capital Stock:**

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

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

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.

The Fund issued 79,701 shares of Common Stock as reinvestment of distributions by Common Stockholders for the year ended December 31, 2002.

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

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

For the six months ended June 30, 2003, the Fund accrued and paid Royce advisory fees totaling \$292,900, which is net of \$99,177 voluntarily waived by Royce.

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

For the six months ended June 30, 2003, the cost of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to \$23,629,502 and \$23,175,577, respectively.

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## **POSTSCRIPT**

### **VALUEBALL**

□With the first pick in the 2003 NBA draft, the Cleveland Cavaliers select LeBron James of St. Vincent-St. Mary High School. □ So began another season of hope for another beleaguered franchise in the world of professional sports. LeBron is perhaps the most heralded basketball player to enter the pros since Michael Jordan. He may also be the most over-hyped. At the tender age of 18, he signed a \$90 million contract with Nike before he ever played a minute of basketball beyond the high-school level. Other sports are hardly immune to the same manic thinking whereby an untried rookie is suddenly transformed into the Next Big Thing. Such is the heady bliss conjured by the magic word "potential." Talent evaluation is, after all, an imperfect art. It is extraordinarily difficult to look at a young athlete playing at one level and determine how that same person might perform at the next.

This is especially the case in baseball, by far the most challenging sport in which to project talent. (It also holds true for stock selection.) Yet some of the sport's more shop-worn methods are changing and might soon be swept aside with the success of Michael Lewis's bestseller, *Moneyball*, which focuses on Oakland Athletics General Manager Billy Beane. For the last several years, Beane has put together highly competitive teams with less than half the budget of a high-priced squad like the Yankees, Dodgers or Mets. One might say that he puts together teams in much the same way that we try to select stocks. He tends to gravitate toward players that many other scouts and general managers have ignored, believing in his own standards of player value as opposed to what others think will work best.

Beane is a disciple of Bill James (no relation to LeBron), author of the occasionally maligned but obsessively studied tome *The Baseball Abstract*. Just as Benjamin Graham is the father of value investing, James (who first began publishing his reports in 1977) is the father of what has come to be called sabermetrics. Sabermetrics involves a combination of statistical analysis and subjective evaluation to obtain rational, objective information about a player's abilities. For example, baseball people seldom looked at on-base-percentage (OBP), they thought mostly of a player's batting average until Bill James. James pointed out that a player with a batting average of .275 and an OBP of .355 was more productive than one hitting .295 with an OBP of only .315 because, while he hit for a lower average, he was able to get on base more frequently by drawing walks more effectively than the latter player.

We think that this effective measure of offensive efficiency bears comparison with Ben Graham's notion of net net working capital. In Graham's now-classic formulation, he looked at the worth of a company once all debts were paid. The remaining assets were what he used as the basis of a company's valuation. In each case, a progressive thinker created a rational method of measuring value that flew in the face of conventional wisdom but that ultimately proved to be very successful. Here at Royce, we continue to use variations on Ben Graham's method as one means of estimating company valuations.

We see other parallels between the approach that James pioneered and our own methods of selecting securities. Like us, he is less enthralled with potential and concentrates instead on historical results. He has repeatedly questioned the validity of accepted ideas and has displayed a stubborn confidence in his work (as we did back in the '70s, by insisting that value investing would indeed work in the small-cap world). He has seen qualities in players that others failed to notice and pointed out that quality athletes were often not the high-paid superstars most people thought a necessary part on any winning team.

Of course, if our evaluations were as astute as his usually are, we might be using this space to discuss triple-digit mutual fund returns. Maybe we could hire him away from the Red Sox.

## The Royce Funds

1414 AVENUE OF THE AMERICAS □ NEW YORK, NY 10019

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

### WEALTH OF EXPERIENCE

With approximately \$10.7 billion in total assets under management, Royce & Associates is committed to the same small-company investing principles that have served us well for more than 25 years. Charles M. Royce, our Chief Investment Officer, enjoys one of the longest tenures of any active mutual fund manager. He is supported by a senior staff that includes five Portfolio Managers and a Managing Director, as well as nine analysts and five 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 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 affiliates currently have approximately **\$48 million** invested in The Royce Funds.

#### GENERAL INFORMATION

*Additional Report Copies*  
(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-SA-0603

**Item 2: Code(s) of Ethics - Not applicable to this semi-annual report.**

**Item 3: Audit Committee Financial Expert - Not applicable to this semi-annual report.**

**Item 4: Principal Accountant Fees and Services - Not applicable to this semi-annual report.**

**Item 5: Reserved.**

**Item 6: Reserved.**

**Item 7: Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Not applicable to this semi-annual report.**

**Item 8: Reserved.**

**Item 9: 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.

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(b) Internal Controls. There were no significant changes in Registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

**Item 10: Exhibits attached hereto. (Attach certifications as exhibits)**

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 VALUE TRUST, INC.**

BY: /s/ Charles M. Royce

**Charles M. Royce**

**President**

Date: August 20, 2003

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 VALUE TRUST, INC.**

BY: /s/ Charles M. Royce

**Charles M. Royce**

**President**

Date: August 20, 2003

**ROYCE VALUE TRUST, INC.**

BY: /s/ John D. Diederich

**John D. Diederich**

**Chief Financial Officer**

Date: August 20, 2003