ROYCE VALUE TRUST INC
Form N-CSR
March 03, 2004

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
1414 Avenue of the Americas
New York, NY 10019

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

Item 1: Reports to Shareholders

2003 Annual Report

THE
ROYCE
FUNDS

Value Investing In Small Companies
For More Than 25 Years

Royce Value Trust

Royce Micro-Cap Trust

Royce Focus Trust

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. Each of the Funds has adopted a quarterly distribution policy for its common stock.

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

Why Dividend Reinvestment Is Important

A very important component of an investor's total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. 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 11.

Annual Report Reference Guide

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.

NAV AVERAGE ANNUAL TOTAL RETURNS Through December 31, 2003

FUND	4TH QUARTER 2003*	JUL-DEC 2003*	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION	INCEPTION DATE
Royce Value Trust	13.38%	23.75%	40.80%	11.04%	12.25%	12.64	12.37%	11/26/86
Royce Micro-Cap Trust	15.58	30.36	55.55	18.28	15.64	14.27	14.22	12/14/93
Royce Focus Trust	16.44	30.06	54.33	14.11	14.34	n.a.	12.28	11/1/96**
Russell 2000	14.52	24.92	47.25	6.27	7.13	9.47		

Royce Value Trust's 15-year NAV average annual total return for the period ended 12/31/03 was 13.27%.

The Funds' recent performance was achieved during a period of high returns for small- and micro-cap stocks, and it is not likely that this level of returns will continue in the future.

*Not annualized.

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

Letter To Our Stockholders

Charles M. Royce, *President*

Although none of our closed-end funds concentrate solely on dividend-paying stocks, we think highly of the value of dividends here at The Royce Funds. We think that the old adage of Ben Graham and David Dodd, that the primary purpose of a business is to pay dividends to its owners, in many ways still holds true today. Why do we and two of the Founding Fathers of value investing put so much stock in the payment of dividends? The most obvious reason is that, with rare exceptions, companies that pay dividends are almost always profitable businesses. Companies can choose to reinvest their earnings, pay them out as dividends or reinvest a portion and pay out the rest, but the fact remains that payment of a dividend is an important measure of profitability.

(continued on page 4)

Curb Your Enthusiasm

2003 will likely enter the annals of stock market history as one of the more successful years for equities in recent times. Unlike the days of stratospheric returns for large-cap and/or Technology issues that characterized the late 90s, the past year embraced large and small stocks alike, a tide of more or less steadily rising prices that seemed to lift nearly every boat which the market deemed seaworthy. Such a year was especially welcome to investors following the long and dreary bear market that began in March 2000. Yet to many observers, this long-anticipated recovery emerged slowly, almost subtly, from the wings of the bears prolonged turn on the equity stage. The rebound actually began in early October 2002, when the major indices the S&P 500, Russell 2000 and Nasdaq Composite reached their most recent lows. Yet 2002 was a year of negative performance for the majority of stocks, and the brief rally that carried the market through October and November fizzled in December and did not regain its momentum until March of 2003.

Much of this can be attributed to a sluggish economy and the anxious days preceding the war with Iraq. The initial reports out of Baghdad seemed to indicate that our militarys efforts were not meeting with the unqualified success that many of us had expected. Yet once it became clear that these reports were erroneous and that the U.S. was on its way to a relatively fast victory, the stock market responded generously. For each index, April and May were two of the three strongest performing months of 2003. By fall, news of strong GDP growth and stable levels of unemployment provided any additional fuel that may have been needed to keep the rally running, and run it did, right through the beginning of 2004. **Even the stunning news of illegal and unethical profiteering on the part of certain mutual fund companies that permitted late trading and market timing did not slow the markets furious ascent. The only unanswered questions appeared to be, how much longer would the rally run and how much higher would returns climb before a correction occurred?**

With the economy seeming to grow stronger each day, the international situation stabilizing somewhat (at least as of this writing) and reports of new mutual fund scandals subsiding (for now, anyway), we would understand anyone who felt that the past fifteen months have heralded only the beginning of an extended period of high returns. We simply would not agree. Like many experienced value investors, we habitually get a little tense whenever stock market returns run up virtually unimpeded for months at a time. It simply goes against the grain of what we have learned in three-plus decades of investing. We are not calling for a return to the bear market environment that lasted from March 2000 through October 2002, but we also do not see the direction of the market racing consistently upward. **Just as we argued at the end of last year that the market was not**

as bad as it looked, we would now submit that the market is not quite as vigorous as it appears. We think that it is entirely rational to be exuberant about 2003s high returns, but that similar sentiments should not apply to 2004 and beyond because no one really knows what the markets next move will be. So before the heralds rush forth announcing that all is well because the bears (and the folks delivering subpoenas) have all left the building, we would advise investors to curb their enthusiasm.

Smallville

We are aware and not unhappily that a look at both the short- and long-term returns for small-cap stocks through the end of 2003 may make our plea to curb ones enthusiasm sound a bit silly. **Our asset class once again finished the year ahead of its large-cap counterpart, with the Russell 2000 up 47.3% versus 28.7% for the S&P 500. It marked the fifth consecutive year that the Russell 2000 outperformed the S&P 500, in spite of the fact that 2003 was the large-cap indexs best calendar year of performance since 1998.** The small-cap index also held a performance advantage over its large-cap sibling from the October 2002 market lows and for the three-year and five-year periods ended 12/31/03. The resurgent equity market gave a boost to the Nasdaq Composite as well. It bested both the S&P 500 and the Russell 2000 in 2003 with a 50.0% return.

The rally has so far favored two kinds of stocks that historically have not been the first coursers out of the gate at the onset of a bull market Technology and micro-cap stocks. Their strong performances, especially the latters, helped the Russell 2000 to enjoy its best calendar-year performance since the index's inception on 12/31/78.

So before the heralds rush forth announcing that all is well because the bears (and the folks delivering subpoenas) have all left the building, we would advise investors to curb their enthusiasm.

Another reason for our affection is that consistent dividend payouts help to reduce volatility by providing an investor with a steady stream of income. This is arguably a more significant benefit for small-cap stocks than it is for their larger siblings because the diminutive

While this was terrific news for small-cap investors like ourselves, we are somewhat leery of the reversal of what we regard as the typical order of market rallies. Although Technology stocks suffered more than any other equity sector during the bear market making them arguably ripe for a rally it does not stand to reason that their previous travails made it necessary for them to *lead* a subsequent rebound for stocks. **Most bear markets have ended with a flight to quality.**

stature of small companies often makes them inherently more volatile. We also believe that having money upfront, or cash in hand, offers advantages as well. While this is true in any market climate, it can be especially crucial in low- or negative-return environments when stock prices are stalling or tumbling.

Within the realm of small-cap stocks, the search for dividend-paying companies can be quite interesting because many small-cap investors have been led to believe that such companies cannot be found. Investors (especially institutional investors) utilizing a dividend-discount model those searching for total return, or a combination of long-term growth and current income are trained to look almost

(continued on page 6)

Historically, investors begin to flock, sometimes slowly, to companies with solid records of earnings or other indicators of underlying quality. We are not sure what has made the current rally unique in this regard, but its peculiar start is another reason why we think that we have not entered a sustainable period of high returns for stocks.

Everybody Loves Value

One might expect that a rally led by two of the more volatile segments of the market would mean bad news for value stocks, even those in the micro-cap sector. We are happy to report that this was not quite the case in 2003. Tech and micro-cap led the way, but equities as a whole performed well. Value stocks began to come on later in the year, especially in the fourth quarter, in which the Russell 2000 Value index outpaced the Russell 2000 Growth index, 16.4% versus 12.7%. This strong fourth-quarter push allowed the small-cap value index to narrow the performance gap with growth, as small-cap value was up 46.0% in 2003 versus 48.5% for small-cap growth. Small-cap growths outperformance period included an unusual first quarter in which returns for both indices were negative. If one needed any further proof that 2003 was an odd year, we would call their attention to the fact that small-cap value lost ground to growth in the first quarter decline and then gained ground against it during the fourth quarter upswing. Strange days indeed.

As dubious as we are about the long-term viability of the current rally, we were cheered by the strong showing turned in by small-cap value stocks late in the year and throughout the 15-month rally. In fact, stretching back to the early days of the bear market in March 2000, small-cap value has performed well both on an absolute and relative basis. From the small-cap market peak on 3/9/00 through 12/31/03, the Russell 2000 Value index was up 73.1% versus a loss of 44.2% for the Russell 2000 Growth index. Although better down market returns in the bear-market period between March 2000 and October 2002 were a critical component of small-cap values edge during the current market cycle, perhaps equally important has been small-cap value's participation in the rally. From the small-cap market low on 10/9/02 through 12/31/03, the Russell 2000 Value index was up 69.8% versus a gain of 76.7% for its growth counterpart, which means that during this time, small-cap value captured 91% of small-cap growth's upward surge. **The strong down-market performance of small-cap value combined with the competitive returns that it has turned in during the market's recovery helped small-cap value to hold a performance edge for the three-, five-, 10-, 15-, 20- and 25 -year periods ended 12/31/03.**

Still Standing

Small-cap value's solid performance benefited *The Royce Funds*, as did healthy returns by Technology and micro-cap stocks. In fact, each portfolio's relative weightings in micro-caps, Technology stocks and more traditional value issues greatly influenced 2003's returns. Micro-Cap Trust and Focus Trust — portfolios with relatively heavier weightings in at least one of the first two areas — enjoyed the highest calendar-year returns and outperformed the Russell 2000 for the year. However, we were very pleased with the performance of all three of our closed-end funds in 2003. Although besting the benchmark remains a worthy goal for each portfolio, we would rather see strong absolute performances for the funds, and 2003 provided plenty of that. **More importantly from our perspective, all of *The Royce Funds* in this report outperformed the Russell 2000 from its peak on 3/9/00, as well as for the applicable three-, five- and 10-year periods ended 12/31/03. We are more interested in the long-term and full market-cycle performance picture because we believe that these periods, which include both up and down market phases, more accurately reflect the success or failure of a particular investment vehicle or approach.**

If one needed any further proof that 2003 was an odd year, we would call their attention to the fact that small-cap value lost ground to growth in the first quarter decline and then gained ground against it during the fourth quarter upswing. Strange days indeed.

exclusively among mid- and large-cap stocks. However, as we have often pointed out, the small-cap universe provides fertile ground for yield-loving equity investors. As of 12/31/03, of the approximately 7,300 companies with market capitalizations less than $2 billion, more than 1,500 pay dividends and more than 900 of those have yields of 2% or greater (Source: FactSet).

One might ask why a small company would choose to pay dividends. Wouldnt that business be better off reinvesting its profits? The truth is that many small companies earn more than they need in terms of reinvestment in the business. This excess profit is known as free cash flow, which is one of the key qualitative components that we look for in any company, along with strong balance sheets and an established record of earnings. A company has several choices as to what it does with these funds: It can hold on to the cash, use it to purchase shares of its own stock or pay it out to shareholders in the form of dividends.

(continued on page 8)

Letter To Our Stockholders

In our view, 2003 offered a good reason for taking the long view. A wildly successful year by nearly any measure, it was also an exceptional year for more than the reasons normally implied by that term. While our Funds certainly profited from the markets favor toward micro-caps, Technology and other issues, we remain somewhat cynical about the nature of the recent rally. **Seeing many of our holdings appreciate in price was gratifying, but we cannot avoid the suspicion that prices rose primarily for what we would argue were all the wrong reasons speculation as opposed to investment, a low-interest rate environment (which made investment options in fixed income securities look far less attractive relative to equities) and a post-bear-market euphoria that seemed to push prices higher and higher while scant attention was being paid to underlying quality.** We were surprised to see speculative stocks do so well from the October 2002 bottom through the end of 2003, though it was somewhat gratifying to see some companies with stronger earnings begin to participate late in the year.

The History Channel Presents...

From a performance standpoint, small-cap has so far outpaced large-cap in the current decade. In recognizing this, we wondered what the decade-by-decade performance story had been historically for each asset class. This led us to an examination of stock-market returns from 1930 through 1999 to see what, if any, performance patterns emerged for small- and large-cap stocks. Although we realized that there were distinctive stories behind each ten-year periods returns, both large- and small-cap stocks repeated a specific pattern that held true for every decade from the 30s through the 90s. During that 70-year period, large-cap stocks led

CRSP SMALL-CAP DECILE COMPOSITES
Decade-by-Decade Cumulative Results

	CRSP 6-10	S&P 500	SPREAD
1930s	47.6%	2.3%	45.4%
1940s	328.9	138.7	190.2
1950s	438.3	483.3	-45.0

1960s	218.8	112.3	106.6
1970s	150.1	76.5	73.6
1980s	304.7	401.5	-96.8
1990s	299.1	432.9	-133.8

in the high-return decades of the 50s, 80s and 90s, while small-caps were out in front during the low- or normal-return decades of the 30s, 40s, 60s and 70s. This pattern has been repeated so far in the current decade, with small-caps having held a significant performance

edge over large-caps in a decidedly low-return period for the market as a whole. In one final tidbit of asset-class trivia, we found that both asset classes enjoyed a lengthy period of outperformance during each decade. In fact, small-cap stocks had at least a six-year period of outperformance in every 10-year period *(see chart below)*, including those in which they underperformed. This was the case even in the the 80s and 90s, decades typically thought of as dominated by large-caps.

We do not expect small-caps to lead in every performance period or in every calendar year through decades end. In fact, we expect leadership to alternate between small- and large-caps, especially in the near term. Does this mean that small-caps may be at a disadvantage in the coming months? Not necessarily. At current price-to-earnings levels, significant price appreciation through multiple expansion would be much harder to come by. In the next phase of the market, we believe that returns will come *via* improving earnings, not multiple expansion. Given their economic leverage and the simplicity of their businesses, we believe that economic improvements should more directly affect small-caps bottom lines, which could put small-caps in a leading position vis-a-vis earnings growth.

The potential upward movement of interest rates and their impact on P/E ratios is another area that would seem

In the next phase of the market, we believe that returns will come *via* improving earnings, not multiple expansion. Given their economic leverage and the simplicity of their businesses, we believe that economic improvements should more directly affect small-caps bottom lines, which could put small-caps in a leading position vis-a-vis earnings growth.

LETTER TO OUR SHAREHOLDERS

Certain small companies choose the latter, although for many years it was more common for firms to opt for one of the first two choices, regardless of their size. We think that this will change as a result of the new tax legislation passed earlier this year, which gives more favorable tax treatment to dividends, thus offering companies more of an impetus to pay them out. The effect of this legislation is only beginning to be felt, yet we expect that its consequences will be dramatic, long lasting and potentially beneficial to small-cap investors who like dividends.

Trying to Learn from History

to us to favor smaller companies. Although no one can accurately predict the path of interest rates, an increase after more than 20 years of overall decline seems reasonable, especially in a more robust economic environment. Rising interest rates are generally detrimental to equities as a whole. Since interest rates and P/E ratios tend to have an inverse relationship to each other, and larger companies generally have higher debt-to-capital ratios, an increase in interest rates would seemingly be more detrimental to larger companies because higher proportionate levels of debt would have a greater negative effect impact on their bottom lines. (As of 12/31/03, the composite debt-to-capital ratio for the S&P 500 was 49% versus 40% for the Russell 2000.)

CLOSING BELL

We continue to believe that the returns generated by the recent rally, while entirely welcome, represent a snapback for stock prices, not a comeback for high returns. The market's dramatic upward move seems to us more of an anomalous event that occurred within the longer-term context of the current market cycle that began with a dramatic slide from the peak in March 2000. Most bull markets have begun with profitable companies taking the lead, while Technology and/or micro-cap stocks have followed in the later stages of the run-up. We find it especially peculiar in the aftermath of one of the biggest Technology rallies in history that these sectors led the recovery. Although any extended period of negative returns from this point seems unlikely to us in the near-term, we suspect that there may be a correction within the next several months during which we believe that we will see a move to quality companies with solid

earnings followed by a longer period of low, but generally positive returns. We would caution investors against thinking that 2003s rubber-band response to the bear market means a return to the investment climate of the mid-to-late 90s. Of course, when it comes to investing, our temperament resembles Larry Davids cranky, fatalistic character on HBOs *Curb Your Enthusiasm*. When bad times come, we more or less expect it; when good times arrive, were usually nervous, expecting it all to end soon.

The last five years have provided ample doses of each, with giddy peaks and chilling lows. Through it all, we maintained the same disciplined approach that we have used for 30 years. Just as we were not idiots when small-cap value went out of style, we did not suddenly become endowed with genius when our approach became attractive again. The extremes of the last two market cycles serve best as a reminder that building wealth requires time and patience.

We appreciate your continued support.

Sincerely,

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

January 31, 2004

The performance data and trends outlined in this presentation are presented for illustrative purposes only. The thoughts concerning recent market movements and future prospects for small-company stocks are solely those of Royce & Associates, and, of course, there can be no assurance with regard to future market movements. Small- and micro-cap stocks may involve considerably more risk than larger-cap stocks. Past performance is no guarantee of future results. Historical market trends are not necessarily indicative of future market movements. The (Center for Research in Security Prices) CRSP 6-10 is an unmanaged composite representing the bottom five deciles of stocks listed on the New York Stock Exchange, the American Stock Exchange and the Nasdaq National Market, based on market capitalization. The S&P 500 is an unmanaged index of domestic large-cap stocks. The Russell 2000, Russell 2000 Value and Russell 2000 Growth are unmanaged indices of domestic small-cap stocks.

Small-Cap Market Cycle Performance

Since the Russell 2000 s inception on 12/31/78, value 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 more historically typical performance in that value provided a significant advantage during the downturn (3/9/00 - 10/9/02) and through December 31, 2003.**

	PRIOR PEAK-TO-PEAK 4/21/98 3/9/00	PEAK-TO-TROUGH 3/9/00 10/9/02	TROUGH-TO-CURRENT 10/9/02 12/31/03	PEAK-TO-CURRENT 3/9/00 12/31/03	PRIOR PEAK-TO-CURRENT 4/21/98 12/31/03
Russell 2000	26.3%	-44.1%	73.1%	-3.3%	22.2%
Russell 2000 Value	-12.7	2.0	69.8	73.1	51.2
Russell 2000 Growth	64.8	-68.4	76.7	-44.2	-8.0
NAV CUMULATIVE TOTAL RETURN					
Royce Value Trust	10.0	-12.2	67.5	47.1	61.8
Royce Micro-Cap Trust	10.6	-13.6	85.4	59.3	76.3
Royce Focus Trust	-10.7	-4.9	85.5	76.4	57.6

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

TROUGH-TO-CURRENT: Through December 31, 2003, growth led value during the rally from the October low. All Royce Funds posted total returns of more than 65% during this period, with Royce Micro-Cap Trust and Royce Focus Trust outperforming the Russell 2000.

PEAK-TO-CURRENT: From March 9, 2000 through December 31, 2003, value maintained a sizeable lead over growth. Again, all three Royce Funds held performance advantages over the Russell 2000 (-3.3%) and all have provided positive performance. When current cycle returns are combined with those of the prior full market cycle, a period which includes both the pre-bubble rally and the ensuing bear market, values positive results compare favorably against growths negative results. During this period, all three Royce Funds outperformed the Russell 2000 Values 51.2% return.

HISTORY SINCE INCEPTION

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

HISTORY		AMOUNT INVESTED	PURCHASE PRICE*	SHARES	NAV VALUE**	MARKET VALUE**
Royce Value Trust						
11/26/86	Initial Purchase	$ 10,000	$ 10.000	1,000	$ 9,280	$ 10,000
10/15/87	Distribution $0.30		7.000	42		
12/31/87	Distribution $0.22		7.125	32	8,578	7,250
12/27/88	Distribution $0.51		8.625	63	10,529	9,238
9/22/89	Rights Offering	405	9.000	45		
12/29/89	Distribution $0.52		9.125	67	12,942	11,866
9/24/90	Rights Offering	457	7.375	62		
12/31/90	Distribution $0.32		8.000	52	11,713	11,074
9/23/91	Rights Offering	638	9.375	68		
12/31/91	Distribution $0.61		10.625	82	17,919	15,697
9/25/92	Rights Offering	825	11.000	75		
12/31/92	Distribution $0.90		12.500	114	21,999	20,874
9/27/93	Rights Offering	1,469	13.000	113		
12/31/93	Distribution $1.15		13.000	160	26,603	25,428
10/28/94	Rights Offering	1,103	11.250	98		
12/19/94	Distribution $1.05		11.375	191	27,939	24,905
11/3/95	Rights Offering	1,425	12.500	114		
12/7/95	Distribution $1.29		12.125	253	35,676	31,243
12/6/96	Distribution $1.15		12.250	247	41,213	36,335
1997	Annual distribution total $1.21		15.374	230	52,556	46,814
1998	Annual distribution total $1.54		14.311	347	54,313	47,506
1999	Annual distribution total $1.37		12.616	391	60,653	50,239
2000	Annual distribution total $1.48		13.972	424	70,711	61,648
2001	Annual distribution total $1.49		15.072	437	81,478	73,994
2002	Annual distribution total $1.51		14.903	494	68,770	68,927
1/28/03	Rights Offering	5,600	10.770	520		
2003	Annual distribution total $1.30		14.582	516		
12/31/03		**$ 21,922**		**6,237**	**$ 106,216**	**$ 107,339**
Royce Micro-Cap Trust						
12/14/93	Initial Purchase	$ 7,500	$ 7.500	1,000	$ 7,250	$ 7,500

10/28/94	Rights Offering	1,400	7.000	200		
12/19/94	Distribution $0.05		6.750	9	9,163	8,462
12/7/95	Distribution $0.36		7.500	58	11,264	10,136
12/6/96	Distribution $0.80		7.625	133	13,132	11,550
12/5/97	Distribution $1.00		10.000	140	16,694	15,593
12/7/98	Distribution $0.29		8.625	52	16,016	14,129
12/6/99	Distribution $0.27		8.781	49	18,051	14,769
12/6/00	Distribution $1.72		8.469	333	20,016	17,026
12/6/01	Distribution $0.57		9.880	114	24,701	21,924
2002	Annual distribution total $0.80		9.518	180	21,297	19,142
2003	Annual distribution total $0.92		10.004	217		
12/31/03		**$ 8,900**		**2,485**	**$ 33,125**	**$ 31,311**
Royce Focus Trust						
10/31/96	Initial Purchase	$ 4,375	$ 4.375	1,000	$ 5,280	$ 4,375
12/31/96					5,520	4,594
12/5/97	Distribution $0.53		5.250	101	6,650	5,574
12/31/98					6,199	5,367
12/6/99	Distribution $0.145		4.750	34	6,742	5,356
12/6/00	Distribution $0.34		5.563	69	8,151	6,848
12/6/01	Distribution $0.14		6.010	28	8,969	8,193
12/6/02	Distribution $0.09		5.640	19	7,844	6,956
12/8/03	Distribution $0.62		8.250	94		
12/31/03		**$ 4,375**		**1,345**	**$ 12,105**	**$ 11,406**

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

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

Royce Value Trust

AVERAGE ANNUAL TOTAL RETURNS Through 12/31/03	
Fourth Quarter 2003*	13.38%
July-December 2003*	23.75
1-Year	40.80
3-Year	11.04
5-Year	12.25
10-Year	12.64

Manager's Discussion

Royce Value Trust's (RVT) diversified portfolio of small- and micro-cap stocks enjoyed a strong absolute return in 2003 on both a net asset value (NAV) and market price basis. **The Fund was up 40.8% on an NAV basis and 42.0% on a market price basis. These performances trailed the calendar-year return of the small-cap oriented Russell 2000, which was up 47.3%, but were ahead of the small-cap S&P 600, which was up 38.8% in 2003.** The fourth quarter saw further expansion of the market's recovery, which has thus far been primarily driven by micro-caps and Technology stocks. RVT was up 13.4% on an NAV basis and 11.9% on a market price basis in the fourth quarter. Both returns were shy of the Fund's benchmarks — the Russell 2000 was up 14.5% and the S&P 600 was up 14.8% in

15-Year	13.27
Since Inception (11/26/86)	12.37

*Not annualized.

RISK/RETURN COMPARISON
3-Year Period ended 12/31/03

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Value Trust (NAV)	**11.0%**	**24.7**	**0.45**
S&P 600	8.1%	21.7	0.37
Russell 2000	6.3%	23.6	0.27

*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.

CALENDAR YEAR NAV TOTAL RETURNS

Year	RVT	Year	RVT
2003	40.8%	1995	21.1%
2002	-15.6	1994	0.1

the fourth quarter. However, over longer-term and market cycle periods, RVT held the advantage over both indices. For the period ended 12/31/03, RVT was up 47.1% on an NAV basis from the small-cap market peak on 3/9/00, versus a gain of 24.9% for the S&P 600 and a loss of 3.3% for the Russell 2000. The Fund also outperformed both benchmarks on both an NAV and market price basis for the three-, five-, 10-, 15-year and since inception (11/26/86) periods. **RVTs average annual NAV total return since inception was 12.4%.**

Although positive performances could be found in all of the Funds sectors and industry groups, the gains of the Funds Technology holdings as a group made those of other sectors look rather modest. In many cases (including some of RVTs holdings), Tech stock prices seemed to rise more in anticipation of increases in capital spending or of a businesss profitability than for actual increases in earnings or other, more tangible reasons. The considerable price appreciation of Tech stocks led us to reduce or sell off many positions in the sector. During the depths of the bear market in 2002, we substantially increased our position in business and technology consultant Sapient Corporation. Its revenues crept upward last fall, but its explosive gain prompted us to reduce our position from September through November. We initially liked the low price, balance sheet and niche business of specialty circuit board manufacturer TTM Technologies. Increased revenues and earnings, as well as Wall Street attention, led its price to levels beyond our expectations. We began to reduce our position in July. We think that Transaction Systems Architects has a terrific core business, which involves e-commerce and e-payment software. Its price soared in 2003, so we took some gains, but still held a good-sized stake at the end of the year.

Elsewhere in the portfolio, solid gains came from a few old favorites. Number-one holding Simpson Manufacturing, which makes various connectors used in the construction industry, first attracted our attention in 1994. We have been happy to hold the stock for nearly a decade, and were very pleased to see investors make the connection between what we see as the firms sterling financial quality and its stock price in 2003. We first bought shares of grain and distillery product maker MGP Ingredients in 1988 and have owned shares almost continuously since. Its strong balance sheet and solid earnings seemed to attract more investors in 2003. MacDermid produces chemicals for metal and plastic finishing. We first bought shares in 1991 and were pleased to see what we regard as a well-run firm in a solid niche enjoy a strong 2003. In all three cases, we were content to hold large positions at the end of the year.

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

GOOD IDEAS THAT WORKED 2003 Net Realized and Unrealized Gain	
Urban Outfitters	$4,114,094
E*TRADE Financial	3,950,478
Sapient Corporation	3,800,268
Transaction Systems Architects Cl. A	3,727,877
Velcro Industries	3,601,730

Urban Outfitters This merchandiser and specialty retail store operator enjoyed record sales, strong earnings and a two-for-one stock split in 2003, developments that seemed to keep investors buying its stock. We trimmed our position in October.

E*TRADE Financial Our decision to trim our position in this financial services firm was based solely on the impressive rise of its stock price. We have retained our high view of its management and its ability to make the transition from an internet-based discount brokerage to a low-cost leader in financial services.

GOOD IDEAS AT THE TIME 2003 Net Realized and Unrealized Loss	
PMA Capital Cl. A	$2,185,376
Allegiance Telecom	1,538,391
PRG-Schultz International	1,079,698

PMA Capital Cl. A Our once-high confidence in this provider of property and casualty reinsurance withered in the face of what we felt was management's

PORTFOLIO DIAGNOSTICS	
Median Market Capitalization	$915 million
Weighted Average P/E Ratio	22.7x*
Weighted Average P/B Ratio	2.0x
Weighted Average Yield	0.7%
Fund Net Assets	$851 million
Turnover Rate	23%
Net Leverage	4%
Symbol - Market Price - NAV	RVT XRVTX

*Excludes 21% of the portfolio holdings with zero or negative earnings as of 12/31/03.

Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets applicable to Common Stockholders.

TOP 10 POSITIONS % of Net Assets Applicable to Common Stockholders	
Simpson Manufacturing	1.1%
	1.0

Payless ShoeSource	1,037,569
Hilb, Rogal & Hamilton Company	843,191

inability to effectively steer the company through increasingly difficult times for its core business.

Allegiance Telecom Our generally disappointing experience with this telecommunications service provider ended, sadly but perhaps mercifully, when we sold the last of our shares in December following an announcement of bankruptcy in May.

Ritchie Bros. Auctioneers	
MacDermid	0.9
Erie Indemnity Company Cl. A	0.8
Sotheby's Holdings Cl. A	0.8
Arrow International	0.8
White Mountains Insurance Group	0.8
Technitrol	0.8
MGP Ingredients	0.8
Keane	0.8

PORTFOLIO SECTOR BREAKDOWN
% of Net Assets Applicable to Common Stockholders

Technology	23.3%
Industrial Products	16.1
Industrial Services	13.7
Financial Intermediaries	10.4
Health	10.0
Natural Resources	7.8
Consumer Products	7.3
Consumer Services	5.6
Financial Services	5.6
Utilities	0.1
Miscellaneous	3.6
Bonds & Preferred Stock	0.3
Treasuries, Cash & Cash Equivalents	22.1

The regular reinvestment of distributions makes a difference!

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

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

CAPITAL STRUCTURE

Publicly Traded Securities Outstanding at 12/31/03 at NAV or Liquidation Value	
50.0 million shares of Common Stock	$851 million
5.90% Cumulative Preferred Stock	$220 million

Royce Micro-Cap Trust

NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/03	
Fourth Quarter 2003*	15.58%

Manager's Discussion

Micro-cap stocks were among the market leaders in the rally that began in October 2002, a fact reflected in the calendar-year performance of Royce Micro-Cap Trust (RMT). **In 2003, the Fund was up 55.6% on a net asset value (NAV) basis and 63.6% on a market price basis, in both instances ahead of its small-cap benchmark, the Russell 2000, which was up 47.3% for the same period.** The Fund held on to its performance edge in the fourth quarter, as the rally broadened. RMT was up 15.6% on an NAV basis and 16.7% on a market price basis versus a gain of 14.5% for the Russell 2000. As strong a year as it was, we were even more pleased with the Fund's performance over long-term and market-cycle periods. RMT outpaced the Russell 2000 from both the small-cap market peak on 3/9/00 (+59.3% versus -3.3%) and the small-cap market trough on 10/9/02 (+85.4% versus +73.1%) for the periods ended 12/31/03. The Fund also outperformed its benchmark on both an NAV basis and market price basis for the three-, five- 10-year and since inception (12/15/93) periods ended 12/31/03. **RMT's average annual NAV total return since inception was 14.2%.**

The Fund's holdings in Technology made the largest positive impact on performance in 2003. We were ambivalent about the success of Tech stocks in the current rally. While they quite clearly boosted RMT's performance and seemed to provide an impetus for the rally as a whole, we were concerned that many Tech firms finished the year with sizeable returns but without net profits (though some posted positive earnings late in the year). Investors seemed as enamored with potential as they were with more tangible measures of quality. Our strategy in RMT was to trim or reduce several top gainers in the sector because their prices had risen precipitously and we were unsure if they remained good values at their higher prices. The price of wireless telephone system manufacturer SpectraLink Corporation rose through September, when we sold a bit less than half of our position. We were attracted to its strong balance sheet and niche business. Another

July-December 2003*	30.36
1-Year	55.55
3-Year	18.28
5-Year	15.64
10-Year	14.27
Since Inception (12/14/93)	14.22

*Not annualized.

RISK/RETURN COMPARISON
3-Year Period ended 12/31/03

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Micro-Cap	**18.3%**	**28.7**	**0.64**

business that we like is information technology (IT) consultants, especially if they have little debt and talented management, which we judged to be the case with DiamondCluster International Corporation. Its price began to take off in April, prompting us to begin reducing our position. We were content to hold a large position in IT consultant Covansys Corporation at year-end. At one point in 2002, we nearly gave up on the company, but the combination of a smart acquisition in May 2002 and cost-cutting measures in 2003 seemed to help its stock price to recover.

The business of iGATE Corporation, a staffing services company with a substantial business in Technology Consulting, was somewhat sluggish in 2003, yet investors seemed happy to invest in its potential ability to turn things around. We held a large position at the end of the year. During the dark days of the bear market in 2002, we built our position in top-ten holding Excel Technology, a firm that develops and manufactures laser systems and electro-optical components for industrial, scientific and medical uses. We were initially intrigued by its interesting business and low debt.

The prospects for recessed- and track-lighting fixture designer Juno Lighting brightened in 2003 as its management paid down debt and made a series of moves that we thought were high-wattage decisions. Improved earnings and the announcement that it would be acquired in December 2003 seemed to help the stock price of BioReliance Corporation, a contract service organization that provides services for biomedical, biotechnology and pharmaceutical companies. We slightly reduced our position in November. We were happy to hold a good-sized stake in contact lens maker Ocular Sciences. The company continued to gain market share both domestically and internationally. We have long considered it a well-run, financially clear-sighted company.

Trust (NAV)			
Russell 2000	6.3%	23.6	0.27

*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.

CALENDAR YEAR NAV TOTAL RETURNS

Year	RMT
2003	55.6%
2002	-13.8
2001	23.4
2000	10.9
1999	12.7
1998	-4.1
1997	27.1
1996	16.6
1995	22.9
1994	5.0

GOOD IDEAS THAT WORKED

2003 Net Realized and Unrealized Gain

Sapient Corporation	$3,193,705
Transaction Systems Architects Cl. A	2,458,120

Sapient Corporation We increased our stake in this business and technology consultant during the depths of the bear market in 2002. Its revenues crept upward last fall,

PORTFOLIO DIAGNOSTICS

Median Market Capitalization	$264 million
Weighted Average P/E Ratio	19.3x*
Weighted Average P/B Ratio	1.7x
Weighted Average Yield	0.6%

Covansys Corporation	1,817,515
SpectraLink Corporation	1,633,238
iGATE Corporation	1,586,557

but its explosive gain prompted us to begin reducing our position in June.

Transaction Systems Architects Cl. A The price of this e-commerce and e-payment software company skyrocketed in the second quarter and hasnt shown signs of slowing down yet. We started to reduce our position in November at substantial gains, though we still thought very highly of its core business.

GOOD IDEAS AT THE TIME 2003 Net Realized and Unrealized Loss	
PRG-Schultz International	$808,519
The Boyds Collection	545,462
Allegiance Telecom	492,474
On Assignment	418,440
Daisytek International	415,052

PRG-Schultz International We were attracted to the dominant market share of this leader in the niche business of recovery audits for mid- to large-sized businesses. Its sluggish stock price performance led us to substantially build our position in 2003.

The Boyds Collection Sales and earnings for this designer and importer of handcrafted collectibles and other specialty giftware products continued to decline in 2003. At year end, we were still re-evaluating our position.

Fund Net Assets	$253 million
Turnover Rate	26%
Net Leverage	3%
Symbol - Market Price - NAV	RMT XOTCX

*Excludes 29% of portfolio holdings with zero or negative earnings as of 12/31/03.

Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets applicable to Common Stockholders.

TOP 10 POSITIONS % of Net Assets Applicable to Common Stockholders	
Sapient Corporation	1.5%
Seneca Foods	1.4
Excel Technology	1.3
Transaction Systems Architects Cl. A	1.3
Covansys Corporation	1.2
Juno Lighting	1.1
Denison International ADR	1.1
Delta Apparel	1.0
Richardson Electronics	1.0
800 JR Cigar	1.0

PORTFOLIO SECTOR BREAKDOWN % of Net Assets Applicable to Common Stockholders	
Technology	26.7%
Industrial Products	14.8
Industrial Services	14.1

The regular reinvestment of distributions makes a difference!

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

2 Reflects the actual market price of one share as it has traded on the Nasdaq and, beginning 12/1/03, on the NYSE.

Health	11.1
Natural Resources	9.1
Consumer Products	9.0
Financial Intermediaries	6.1
Consumer Services	5.1
Financial Services	1.0
Diversified Investment Companies	0.4
Miscellaneous	5.0
Preferred Stocks	0.5
Treasuries, Cash & Cash Equivalents	20.8

CAPITAL STRUCTURE Publicly Traded Securities Outstanding at 12/31/03 at NAV or Liquidation Value	
19.0 million shares of Common Stock	$253 million
6.00% Cumulative Preferred Stock	$60 million

Royce Focus Trust

NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/03	
Fourth Quarter 2003*	16.44%
July-December 2003*	30.06
1-Year	54.33
3-Year	14.11
5-Year	14.34

Manager's Discussion

With a little extra help from Technology and micro-cap stocks, Royce Focus Trust enjoyed a strong year by almost any measure in 2003. **On both a net asset value (NAV) and market price basis, the Fund posted its highest calendar-year return since Royce assumed its management on 11/1/96. FUND was up 54.3% on an NAV basis and 64.0% on a market price basis, both returns ahead of the Fund's small-cap benchmark, the Russell 2000, which was up 47.3% in 2003.** The fourth quarter saw further expansion of the rally beyond the more speculative issues that have been leading since the recovery began in October 2002. FUND stayed ahead of its benchmark

Since Inception (11/1/96)	12.28

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

RISK/RETURN COMPARISON
3-Year Period ended 12/31/03

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Focus Trust (NAV)	**14.1%**	**25.9**	**0.54**
Russell 2000	6.3%	23.6	0.27

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

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

in the fourth quarter, posting an NAV return of 16.4% and a market price return of 19.7%, versus a 14.5% return for the Russell 2000. We were even more pleased with the Fund's results over market cycle and long-term performance periods. For the period ended 12/31/03, FUND was up 76.4% from the small-cap market peak on 3/9/00, versus a decline of 3.3% for the Russell 2000. The Fund also outperformed the benchmark for the one-, three-, five-year and since inception periods ended 12/31/03. **FUND's average annual NAV total return since inception was 12.3%.**

Portfolio holdings in the Technology sector made the greatest positive impact on the Fund's performance. However, Tech did not dominate portfolio performance to the same degree that it did in the market as a whole (or in other Royce-managed portfolios), and we were pleased to see strong gains from companies in several sectors and industry groups. Of the Fund's twenty top-performing stocks in 2003, only five were Tech stocks. We were attracted to two of these companies based on our belief that their respective well-established and profitable business relationships with the U.S. military could keep them growing profitably. Each suffered from a depressed stock price in 2002, in part because the significant retrenchment in technology spending occurred not long after they first made forays into more commercial ventures. In the fall of 2002, we built our position in REMEC, a manufacturer of various components for wireless communications, while we first bought shares of ViaSat, which provides broadband digital satellite communications and other wireless networking and signal processing equipment and services early in 2003. The price of each stock rose during the rally. We took gains in REMEC in 2003, though at year-end we thought that each remained a well-run company. Another firm in which we reduced our stake due to its fast-rising stock price was e-commerce and e-payment software company, Transaction Systems Architects. In mid-2002, new management came on board and shaped up the firm's balance sheet, a move that focused our attention on what we already regarded as a potentially high-growth business. Although by the end of the year its price remained in orbit, we began to reduce our position in September at substantial gains.

We first began to buy Endo Pharmaceuticals Holdings in FUND late in 2002. We liked its balance sheet, its high returns on capital, and the firm's roster of products, which included both brand name and generic drugs. None of that has changed, except that the company's cash flows were more robust in 2003 than we had expected. Although its stock price received a shot in the arm, we were content to hold a large position at the end of the year, thinking that the company still had room to grow. Our decision to trim our position in number-three holding E*TRADE Financial was based solely on the impressive rise of its stock price. We have retained our high view of its management and its ability to make the transition from an internet-based discount brokerage to a low-cost leader in financial services.

CALENDAR YEAR NAV TOTAL RETURNS	
Year	FUND
2003	54.3%
2002	-12.5%
2001	10.0
2000	20.9
1999	8.7
1998	-6.8
1997	20.5

GOOD IDEAS THAT WORKED 2003 Net Realized and Unrealized Gain	
TSX Group	$2,183,572
Winnebago Industries	2,007,800
Endo Pharmaceuticals Holdings	1,796,980
Transaction Systems Architects Cl. A	1,750,937
Carlisle Holdings	1,353,000

TSX Group A newer position that we first bought shortly after its initial public offering, this company owns and operates the Toronto Stock Exchange, North Americas third largest. It remains under-followed by domestic equity analysts. We built our position throughout 2003, attracted to the companys increased earnings and technological innovations. We also received a favorable currency exchange benefit due to the weakening American dollar.

Winnebago Industries Although we initiated our position in the Funds portfolio in March 2003, we have long liked the dominant market share and strong profit margins of this leading recreation vehicle manufacturer. The fact that the company has been using much of its free cash flow to buy back stock only adds to the list of attractive qualities.

GOOD IDEAS AT THE TIME

PORTFOLIO DIAGNOSTICS	
Median Market Capitalization	$1,121 million
Weighted Average P/E Ratio	22.8x*
Weighted Average P/B Ratio	2.4x
Weighted Average Yield	0.5%
Fund Net Assets	$87 million
Turnover Rate	49%
Net Leverage	6%
Symbol - Market Price - NAV	FUND XFUNX

* Excludes 18% of portfolio holdings with zero or negative earnings as of 12/31/03.

 Net leverage is the percentage, in excess of 100%, of the total value of investments (excluding short-term), divided by net assets applicable to Common Stockholders.

2003 Net Realized and Unrealized Loss	
Durect Corporation	$437,744
Monaco Coach	232,987
Natuzzi ADR	198,018
Somera Communications	157,300
On Assignment	118,500

Durect Corporation Our once healthy confidence in this pharmaceuticals firm quickly turned ill last summer when it took on additional debt (and diluted the value of its stock) in the form of a large private placement of convertible debt securities. We sold our shares in August.

Monaco Coach Thinking that its balance sheet was not as well-engineered as its more promising competitors, we sold our shares in January and February 2003, essentially upgrading (in our estimation) to Winnebago Industries.

[1] Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.
[2] Reflects the cumulative performance experience of a continuous common stockholder who reinvested all distributions.
[3] Reflects the actual market price of one share as it has traded on the Nasdaq.

TOP 10 POSITIONS % of Net Assets Applicable to Common Stockholders	
New Zealand Government 6.5% Bond	7.7%
TSX Group	4.6
E*TRADE Financial	4.3
Simpson Manufacturing	4.1
Nu Skin Enterprises Cl. A	3.9
Hecla Mining Company	3.3
Endo Pharmaceuticals Holdings	3.3
Goldcorp	3.3
Winnebago Industries	3.2
Alleghany Corporation	3.1

PORTFOLIO SECTOR BREAKDOWN % of Net Assets Applicable to Common Stockholders	
Natural Resources	19.3%
Financial Intermediaries	14.2
Health	12.2
Technology	11.5
Industrial Products	10.6
Consumer Products	9.6
Industrial Services	7.4
Consumer Services	6.3
Financial Services	4.1
Bonds	11.2
Treasuries, Cash & Cash Equivalents	22.3

CAPITAL STRUCTURE Publicly Traded Securities Outstanding at 12/31/03 at NAV or Liquidation Value	
9.7 million shares of Common Stock	$87 million
6.00% Cumulative Preferred Stock	$25 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 generally issued at the lower of the market price or net asset value on the valuation date.

HOW DOES THIS APPLY TO REGISTERED STOCKHOLDERS?

If your shares are registered directly with a Fund, your distributions are automatically reinvested unless you have otherwise instructed the Funds transfer agent, EquiServe, in writing. A registered stockholder also has the option to receive the distribution in the form of a stock certificate or in cash if EquiServe is properly notified.

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

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

WHAT OTHER FEATURES ARE AVAILABLE FOR REGISTERED STOCKHOLDERS?

The Distribution Reinvestment and Cash Purchase Plans also allow registered stockholders to make optional cash purchases of shares of a Funds 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, 2004.

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 (64), Director* and President
Term Expires: 2003 **Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)
No. of Funds Overseen: 19 **Non-Royce Directorships:** Director of Technology Investment Capital Corp.
Principal Occupation(s) During Past Five Years: President, Chief Investment Officer and Member of Board of Managers (since October 2001), of Royce & Associates, LLC (Royce), the Funds investment adviser.

NAME AND POSITION: Mark R. Fetting (49), Director*
Term Expires: 2004 **Tenure:** Since 2001
No. of Funds Overseen: 19 **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 (since October 2001); Division President and Senior Officer, Prudential Financial Group, Inc. and related companies, including Fund Boards and consulting services to subsidiary companies (from 1991 to 2000). Mr. Fettings prior business experience includes having served as Partner, Greenwich Associates and Vice President, T. Rowe Price Group, Inc.

NAME AND POSITION: Donald R. Dwight (72), Director
Term Expires: 2005 **Tenure:** Since 1998
No. of Funds Overseen: 19 **Non-Royce Directorships:** None
Principal Occupation(s) During Past Five Years: President of Dwight Partners, Inc., corporate communications consultant; Chairman (from 1982 to March 1998) and Chairman Emeritus (since March 1998) of Newspapers of New England, Inc. Mr. Dwights prior experience includes having served as Lieutenant Governor of the Commonwealth of Massachusetts, as President and Publisher of Minneapolis Star and Tribune Company, and as Trustee of the registered investment companies constituting the 94 Eaton Vance Funds.

NAME AND POSITION: Richard M. Galkin (65), Director

NAME AND POSITION: David L. Meister (64), Director
Term Expires: 2003 **Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)
No. of Funds Overseen: 19 **Non-Royce Directorships:** None
Principal Occupation(s) During Past Five Years: Chairman and Chief Executive Officer of The Tennis Channel (since June 2000). Chief Executive Officer of Seniorlife.com (from December 1999 to May 2000). Mr. Meisters prior business experience includes having served as a consultant to the communications industry, President of Financial News Network, Senior Vice President of HBO, President of Time-Life Films and Head of Broadcasting for Major League Baseball.

NAME AND POSITION: G. Peter OBrien (58), Director
Term Expires: 2003 **Tenure:** Since 2001
No. of Funds Overseen: 19 **Non-Royce Directorships:** Director/Trustee of registered investment companies constituting the 22 Legg Mason Funds; Director of Renaissance Capital Greenwich Fund and Director of Technology Investment Capital Corp.
Principal Occupation(s) During Past Five Years: Trustee of Colgate University; Director of Renaissance Capital Greenwich Funds; Vice President of Hill House, Inc.; Director/Trustee of certain Legg Mason retail funds; Managing Director/Equity Capital Markets Group of Merrill Lynch & Co. (from 1971 to 1999).

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

Term Expires: 2004 **Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)

No. of Funds Overseen: 19 **Non-Royce Directorships:** None

Principal Occupation(s) During Past Five Years: Private investor. Mr. Galkins prior business experience includes having served as President of Richard M. Galkin Associates, Inc., telecommunications consultants, President of Manhattan Cable Television (a subsidiary of Time, Inc.), President of Haverhills Inc. (another Time, Inc. subsidiary), President of Rhode Island Cable Television and Senior Vice President of Satellite Television Corp. (a subsidiary of Comsat).

NAME AND POSITION: Stephen L. Isaacs (64), Director

Term Expires: 2005 (RVT), 2005 (OTCM), 2003 (FUND) **Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)

No. of Funds Overseen: 19 **Non-Royce Directorships:** None

Principal Occupation(s) During Past Five Years: President of The Center for Health and Social Policy (since September 1996); Attorney and President of Health Policy Associates, Inc., consultants. Mr. Isaacss prior business experience includes having served as Director of Columbia University Development Law and Policy Program and Professor at Columbia University (until August 1996).

NAME AND POSITION: William L. Koke (69), Director

Term Expires: 2003 (RVT), 2003 (OTCM), 2005 (FUND) **Tenure:** Since 2001 (RVT), 2001 (OTCM), 1997 (FUND)

No. of Funds Overseen: 19 **Non-Royce Directorships:** None

Principal Occupation(s) During Past Five Years: Financial planner with Shoreline Financial Consultants. Mr. Kokes 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.

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

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

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

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

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

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

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

Notes To Performance And Statistical Information

Authorized Share Transactions

Each of Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may repurchase up to 300,000 shares of its common stock and up to 10% of the issued and outstanding shares of each series of its preferred stock during the year ending December 31, 2004. 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 shares then current net asset value, and preferred stock repurchases would be effected at a price per share that is less than the shares 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 shares 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 December 31, 2003 and are subject to change at any time without notice. There can be no assurance that securities mentioned in this report will be included in any Royce-managed portfolio in the future.

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

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

Forward-looking Statements

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

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

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

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

Royce Value Trust, Inc.

Schedules of Investments — December 31, 2003

COMMON STOCKS — 103.5%

	SHARES	VALUE
Consumer Products — 7.3%		
Apparel and Shoes - 2.6%		
Jones Apparel Group [d]	81,500	$ 2,871,245
K-Swiss Cl. A	160,000	3,849,600
Oshkosh B'Gosh Cl. A [d]	104,300	2,238,278
Polo Ralph Lauren Cl. A	150,000	4,320,000
Timberland Company Cl. A [a]	30,000	1,562,100
Weyco Group	153,996	5,181,811
Wolverine World Wide	84,400	1,720,072
		21,743,106
Collectibles - 0.2%		
The Boyds Collection [a]	234,200	995,350
Enesco Group [a]	47,200	487,104
		1,482,454
Food/Beverage/Tobacco - 0.7%		
800 JR Cigar [a,e]	172,400	2,241,200
Hain Celestial Group [a]	37,800	877,338
Hershey Creamery Company [d]	709	2,357,425
Lancaster Colony	16,900	763,204
		6,239,167
Home Furnishing/Appliances - 0.9%		
Bassett Furniture Industries	116,675	1,925,137
Falcon Products [a,c]	761,600	3,351,040
Jack in the Box [a]	42,000	$ 897,120
Prime Hospitality [a]	106,100	1,082,220
Ryan's Family Steak Houses [a]	48,900	740,346
		12,892,727
Retail Stores - 2.4%		
Big Lots [a]	207,200	2,944,312
Charming Shoppes [a,d]	584,400	3,155,760
Claire's Stores	109,800	2,068,632
GameStop Corporation Cl. A [a,d]	33,700	519,317
Linens 'n Things [a,d]	38,000	1,143,040
Payless ShoeSource [a,d]	289,600	3,880,640
Stein Mart [a]	192,800	1,588,672
Urban Outfitters [a,d]	152,600	5,653,830
		20,954,203
Other Consumer Services - 1.3%		
ITT Educational Services [a]	85,000	3,992,450
Sotheby's Holdings Cl. A [a,d]	510,200	6,969,332
		10,961,782
Total (Cost $35,118,163)		47,966,883
Financial Intermediaries — 10.4%		
Banking - 2.6%		
BOK Financial [a]	125,561	4,861,722

La-Z-Boy [d]	68,200	1,430,836
Natuzzi ADR [b]	118,700	1,196,496
		7,903,509
Publishing - 0.5%		
Martha Stewart Living Omnimedia Cl. A [a,d]	6,000	59,100
Scholastic Corporation [a,d]	130,000	4,425,200
		4,484,300
Sports and Recreation - 1.3%		
Callaway Golf	35,000	589,750
Coachmen Industries	47,700	863,847
Fleetwood Enterprises [a,d]	234,300	2,403,918
Monaco Coach [a]	141,050	3,356,990
Oakley	243,100	3,364,504
Thor Industries	12,100	680,262
		11,259,271
Other Consumer Products - 1.1%		
Blyth	54,700	1,762,434
Burnham Corporation Cl. B	18,000	900,000
Fossil [a]	15,000	420,150
Lazare Kaplan International [a]	103,600	720,020
Matthews International Cl. A [d]	186,000	5,503,740

Farmers & Merchants Bank of Long Beach	1,266	5,570,400
First National Bank Alaska	2,130	4,760,550
Mechanics Bank	200	3,760,000
Mercantile Bankshares [d]	20,000	911,600
NetBank	70,000	934,500
Oriental Financial Group	49,225	1,265,083
		22,063,855
Insurance - 7.0%		
Alleghany Corporation [a]	9,700	2,158,250
Argonaut Group [a]	187,000	2,905,980
Baldwin & Lyons Cl. B	21,200	594,872
Commerce Group	49,500	1,955,250
Erie Indemnity Company Cl. A [d]	169,900	7,200,362
First American	20,000	595,400
Leucadia National	51,500	2,374,150
Markel Corporation [a,d]	4,200	1,064,742
Montpelier Re Holdings	53,000	1,945,100
NYMAGIC	85,200	2,336,184
Navigators Group [a]	83,200	2,568,384
PICO Holdings [a]	179,400	2,811,198
PMA Capital Cl. A [d]	231,700	1,186,304
PXRE Group	176,551	4,161,307
Philadelphia Consolidated Holding [a,d]	35,000	1,709,050
The Phoenix Companies [d]	81,900	986,076
ProAssurance Corporation [a,d]	152,070	4,889,050
RLI	122,724	4,597,241