

ROYCE FOCUS TRUST INC  
Form N-CSR  
March 05, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
— Washington, D.C. 20549  
**FORM N-CSR**

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

Investment Company Act file number: 811-05379

Name of Registrant: Royce Focus Trust, Inc.

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

Name and address of agent for service:

John E. Denneen, Esquire  
1414 Avenue of the Americas  
New York, NY 10019

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

Date of fiscal year end: December 31

Date of reporting period: January 1, 2007 □ December 31, 2007

**Item 1: Reports to Shareholders**

Royce Value Trust

Royce Micro-Cap Trust

Royce Focus Trust

**ANNUAL  
REVIEW AND  
REPORT  
TO STOCKHOLDERS**

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

## A Few Words on Closed-End Funds

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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 primarily small-cap companies.

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

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## A Closed-End Fund Offers Several Distinct Advantages Not Available From An Open-End Fund Structure

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

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## 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, please see page 19 or visit our website at [www.roycefunds.com](http://www.roycefunds.com).

This page is not part of the 2007 Annual Report to Stockholders

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### Annual Report to Stockholders

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*For more than 30 years, we have used a value approach to invest in smaller-cap securities. We focus primarily on the quality of a company's balance sheet, its ability to generate free cash flow and other measures of profitability or sound financial condition. At times, we may also look at other factors, such as a company's unrecognized asset values, its future growth prospects or its turnaround potential following an earnings disappointment or other business difficulties. We then use these factors to assess the company's current worth, basing the assessment on either what we believe a knowledgeable buyer might pay to acquire the entire company, or what we think the value of the company should be in the stock market.*

## Performance Table

Average Annual NAV Total Returns Through December 31,  
2007

	Royce Value Trust	Royce Micro-Cap Trust	Royce Focus Trust	Russell 2000
<b>Fourth Quarter 2007*</b>	-2.62%	-4.47%	-3.64%	-4.58%
<b>July–December 2007*</b>	-4.36	-7.86	-3.21	-7.53
<b>One-Year</b>	5.04	0.64	12.22	-1.57
<b>Three-Year</b>	10.81	9.58	13.90	6.80
<b>Five-Year</b>	18.40	19.42	24.15	16.25
<b>10-Year</b>	11.77	11.97	13.28	7.08
<b>15-Year</b>	13.17	n/a	n/a	10.10
<b>20-Year</b>	13.78	n/a	n/a	11.34
<b>Since Inception</b>	12.60	13.53	14.15	□
<b>Inception Date</b>	11/26/86	12/14/93	11/1/96**	□

### Important Performance and Risk Information

All performance information in this *Review and Report* reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The Royce Funds invest primarily in securities of small-cap and/or micro-cap companies, which may involve considerably more risk than investments in securities of larger-cap companies.

The thoughts expressed in this *Review and Report to Stockholders* concerning recent market movements and future prospects for small-company stocks are solely the opinion of Royce at December 31, 2007, 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, 2007 and are subject to change at any time without notice. There can be no assurance that securities mentioned in this *Review and Report to Stockholders* will be included in any Royce-managed portfolio in the future.

\*Not annualized.

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

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## Letter to Our Stockholders

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### Are We Bear Yet?

When the subprime mortgage implosion first became headline news in July 2007, the event was treated in some quarters as the locomotive leading a potentially long train of financial calamities. Seemingly overnight, a rash of stories broke about imminent recession, possible inflation, recurrent stagflation, contracting credit, devalued currency and declining equities. We were somewhat nonplussed by the high anxiety, not out of any sense that the subprime mess was not serious, but more because our experience in the asset management business has seen us through a variety of markets (and economies) that tested our patience, commitment and discipline. It seemed clear that the subprime crisis was all too real even before the share prices of many financial companies began to tumble in the spring and summer months. However, the market as a whole did not follow suit in earnest until November, and the substantial small-cap market correction – that is, a fall-off for the Russell 2000 of 15% or more from previous market high – had to wait until January 4, 2008 to become a reality. What we did see in the second half of 2007 was considerable volatility. During the third quarter, the Russell 2000 saw 24 out of 63 trading days in which it moved 2.0% or more intra-day, that is, 38% of the time; in the fourth quarter there were 28 out of 64 such trading days, or 44% of the time. **Even as all signs pointed toward an end to the small-cap rally that began in October 2002, the second half of 2007 was more of a wildly volatile period, not a seriously bearish one.**

Still, the idea that stocks were headed for a bear market was remarkably persistent in the second half of 2007. And although equity returns through the end of December remained well shy of the bear necessity – a decline of 20% or more from the market's previous peak

Long ago we accepted that we are powerless over when or if a bear market comes. We can only resolve to maintain our discipline and keep scouring the small-cap market for potential opportunity... We have always believed that uncovering opportunity in poor market conditions is one of the most effective ways to build strong absolute long-term performance.

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## Letter to Our Stockholders

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***For most of our portfolio managers, the security selection process begins with an examination of a company's balance sheet. As our analysis proceeds, other important measures quickly follow, such as a company's earnings history (particularly if the firm is not posting positive earnings at the time of our review) and its ability to generate free cash flow. Additional factors come into play as well, with each of our portfolio managers and analysts emphasizing different metrics as they evaluate businesses. Of course, regardless of where the emphasis on particular metrics falls, our managers are looking for indicators of strong absolute value. One company's financial profile may look terrific relative to its industry peers or to other companies in the stock market, but that does not necessarily make it a compelling value. Similarly, its stock price may be attractively low when compared to others in the same or a similar***

the fatalism was more than understandable. As the market crept toward the end of the year, it seemed to be just a matter of time before reality caught up with the bearish perceptions. **We were not surprised, therefore, by the 15% correction from the small-cap peak on 7/13/07 that occurred on January 4th and were not too panicked by the official arrival of the small-cap bear on January 17th.** In fact, few of the concerns about the market or the economy look groundless to us, even if our collective stoicism leads us to exchange worry for more work on finding attractively valued smaller companies. Long ago we accepted that we are powerless over when or if a bear market comes. We can only resolve to maintain our discipline and keep scouring the small-cap market for potential opportunity.

In this context of pessimism, then, we find ourselves in the contrarian position of feeling fairly sanguine about the state of equities, particularly over the long term, and also confident – however guardedly – about the next three to five years. In that spirit, we would like to advance the idea that the worst of the market's decline is behind us as of this writing. Our optimism about the next few years is based in part on the speed with which information moves. Because bad news travels so quickly, the effects hit stocks hard and fast. We believe that the market has thus worked through the bulk of the distress caused by subprime woes, the credit crunch and the prospect of recession. While we are always focused on downside risk, we are just as excited about promising long-term opportunities that we see in certain smaller stocks in the current market. We understand that no investor enjoys these periods in which so many companies seem to be struggling and returns are falling further into negative territory. At the same time, declines, corrections and even the occasional bear market are part of the price of doing business in the stock market, especially if one is in it for the long haul, as we are. And it is precisely at such risky moments that we seek opportunity as so many others are avoiding it. As the saying goes, Pain is inevitable, but misery is optional. We have always believed that uncovering opportunity in poor market conditions is one of the most effective ways to build strong absolute long-term performance.

### Does Papa Bear Look Small?

The market leadership issue needs no reality check, being clear to all who take time to look. Large-cap stocks, as measured by the S&P 500, outperformed their small-cap counterparts, as measured by the Russell 2000, for the calendar year. The large-cap index posted a gain of 5.5% versus a loss of 1.6% for the small-cap index in 2007. The S&P 500 built its lead with three consecutive quarters of relatively higher returns between the end of March and the end of December, including the difficult second half of 2007, during which the S&P 500 fell only 1.4% while the Russell 2000 lost 7.5%. Meanwhile, the Nasdaq Composite fared best of all three indices for the calendar year, gaining 9.9%, a noteworthy absolute and relative showing. However, the Nasdaq Composite also remained 47.5% shy of its March 2000 high as of 12/31/07, while the Russell 2000 and S&P 500 both finished 2007 ahead of their respective March 2000 highs. **The Russell 2000 also held an edge over the S&P 500 for**



***business or to other  
stocks in the  
market as a whole, but  
that alone  
will not make the stock a  
potential  
purchase candidate. In  
our security  
analysis process, a  
company must  
stand or fall on its own  
merits.***

*Continued on page 6...*

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**the five- and 10-year periods ended 12/31/07, while the large-cap index outperformed for the corresponding one- and three-year periods.**

That the U.S. economy is struggling, regardless of whether one uses the r-word to describe the struggle, helps to explain the recent relative strength of larger and more growth-oriented companies in the stock market. As volatility and economic uncertainty became more and more familiar features of the financial landscape, investors began to favor some combination of size, stability and the potential to grow quickly. In the beginning of 2006, before the current difficulties of the domestic economy, we called for a stint of large-cap leadership. At that time, our conviction was based on the less dramatic factors of cyclical and reversion to the mean. It simply seemed to us that the small-cap rally would soon run its course and that large-cap would regain a market leadership role in an overall low-return environment for equities. As it happens, the subprime implosion was the catalyst for the reversion.

We suspect that large-cap stocks will hang on to market leadership for a while. After a nearly five-year rally in which small-cap, especially small-cap value, dominated returns, this seems uncontroversial. However, we understand that for small-cap mutual fund investors, it may sound a bit odd for us to flatly assert that we don't see our chosen asset class in the lead any time soon as we enter 2008. Investors can take some comfort in the following: Our longer-term outlook for smaller stocks is positive; we continue to see the likelihood of frequent leadership rotation and narrow performance spreads in the intermediate term; and we believe that active small-cap management focused on quality should do fine in a market in which we expect that trait to be rewarded across capitalization ranges.

Our longer-term outlook for smaller stocks is positive; we continue to see the likelihood of frequent leadership rotation and narrow performance spreads in the intermediate term; and we believe that active small-cap management focused on quality should do fine in a market in which we expect that trait to be rewarded across capitalization ranges.

## Polar Opposites

For anyone focused on the performance of the Russell 2000 Value index in 2007, it must have felt as if it was just a matter of time before the bear emerged from hibernation and grabbed hold of the market as a whole. Small-cap growth investors, on the other hand, may have reached a different conclusion about the state of the stock market. After a long period of outperforming its small-cap growth sibling, often dramatically, the small-cap value index fell behind in 2007. It was subtle at first, with the Russell 2000 Value index narrowly underperforming the Russell 2000 Growth index in the first quarter (+1.5% versus +2.5%), before falling further behind in the second (+2.3% versus +6.7%). Things grew stranger in the third quarter, when small-cap value fell 6.3% while small-cap growth eked out a marginal gain. (Historically, the Russell 2000 Value index has outperformed in most down market periods.) Finally, during the similarly volatile fourth quarter, the Russell 2000 Value index was down 7.3% versus a loss of 2.1% for the Russell 2000 Growth index, completing its clean quarterly sweep for the calendar year, while also notching another short-term outperformance in a period of falling share prices.

*We have always believed that the best way to pick stocks is to act as if we were buying a business.*

*Another important metric in determining a company's absolute value is capitalization rate, or cap rate. Most commonly used in real estate asset analysis, cap rate measures the ratio between the cash flow an asset yields and that asset's purchase price. Our managers calculate cap rate in a couple of different ways: One looks at a company's EBIT (earnings before interest and taxes) divided by the business's enterprise value; another uses operating income (a close cousin of EBIT) divided by the enterprise value. In both cases, enterprise value is derived by taking a company's current market value, subtracting cash and adding in debt.*

*Our use of operating income is based on the belief that it is the purest way of understanding normalized income. It is similar to cash flow, but also includes amortization and depreciation, which is critical*

to us  
 as long-term investors. When  
 calculating cap rate, we have  
 to  
 decide how best to compute  
 operating  
 income. It is closely related  
 to a  
 firm's earnings, which helps  
 to  
 explain why cap rate for us is  
 synonymous with earnings  
 yield.

When a company is posting  
 positive  
 earnings or is in a  
 traditionally  
 cyclical business, we look  
 back  
 historically in an attempt to  
 put  
 together a pattern of  
 normalized  
 operating income. If a  
 business is

Continued on page 8...

## Letter to Our Stockholders

When one adjusts one's perspective to reach beyond 2007, the picture begins to make sense. Although small-cap stocks as a whole began an impressive rally following the small-cap market trough on 10/9/02, the roots of strong performance for the Russell 2000 Value index actually reach back to the Russell 2000's peak on 3/9/00. Although most equity indices large and small suffered dramatic declines from their respective March 2000 peaks through 10/9/02, the Russell 2000 Value index managed a cumulative gain of 2.0% during the same period. Once the wider small-cap rally

kicked off, the small-cap value index held its performance edge through the new small-cap high on 7/13/07 (see table).

**Our belief in cyclicity and reversion to the mean permeates the way that we view all market categories, so the Russell 2000 Value index's underperformance in 2007 was hardly a shock, especially since we had seen a fair amount of promising opportunities in**

<b>INDEX PERFORMANCE IN POST-BUBBLE PERIOD</b>		
Cumulative Total Returns During Small-Cap Decline and Subsequent Rally		
	<b>3/9/00-10/9/02</b>	<b>10/9/02-7/13/07</b>
Russell 2000	-44.1 %	177.1 %
Russell 2000	2.0	183.9

**small-cap growth stocks in the years prior to 2007.**

Current anxieties seem to have led as many investors into growth stocks ample liquidity and the potential for growth in a depressed economy are a seductive combination as they have into large-cap stocks. However, the Russell 2000 Value index held on to its long-term advantage, beating the Russell 2000 Growth index for the 10-, 15-, 20- and 25-year periods ended 12/31/07.

Value

Russell 2000 Growth	-68.4	169.7
S&P 500	-42.6	117.9
Nasdaq Composite	-77.9	143.0

## Bear with Us

**We were very pleased that on a net asset value basis (NAV) each of our three closed end funds outperformed the Russell 2000 in 2007 (see the bar chart on page 7), and that Royce Value Trust also outpaced its other small-cap benchmark, the S&P SmallCap 600 for the same period.** We were also struck by the wide disparity between the Fund's calendar-year NAV and market price performances. Only Royce Focus Trust stayed ahead of the Russell 2000 on a market price basis, while Royce Value Trust and Royce Micro-Cap Trust lost considerably more on a market price basis than did the small-cap index. This was to some degree unsurprising in that the Fund's were trading at healthy premiums at the end of 2006 that had become discounts by the end of 2007. Each portfolio's market price results for the calendar year are perhaps best seen as a major shift in sentiment against smaller company stocks. All the more reason, in our view, to see the Fund's respective NAV returns in a positive light. We were even more pleased with their longer-term performances. **Each of our closed-end Funds**

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outperformed the Russell 2000 on an NAV basis for the one-, three-, five- and 10-year periods ended 12/31/07.

Two thousand seven was a difficult year, at least in its second half. Owing to our belief that down market performance is a key indicator of a portfolio's strength, we were generally satisfied with the year's results. **Our confidence as we look forward is also high, as we are now seeing plentiful opportunities in both the domestic and international markets.** We've been involved in overseas investing to one degree or another for many years. American companies with substantial global business have also been included in several portfolios for just as long, so a more global outlook is not really new for us. The most important lesson we learned from buying non-U.S. companies over the years is that a good business looks the same in Italy or England as it does here in the States. The business models and metrics are similar, and today nearly all publicly traded companies publish their relevant information in English. As large as the domestic smaller stock market is, it is dwarfed by the size of the international small-cap marketplace. To us, this really represents the best of two worlds—a domestic universe that we still feel great about and an international arena that we think is a source of enormous potential.

## Bearing Down

Having said that, we understand that the issues facing small-cap investors in the current market are difficult. Economic uncertainty is pervasive. People continue to hold their breath, nervously waiting to see if the Federal Reserve Board's moves might stave off a recession, or if a slowdown is already a forgone conclusion, as some economists are suggesting. More pertinently, many investors fear that small-caps will continue to lag if and when recession becomes a reality.

As large as the domestic smaller stock market is, it is dwarfed by the size of the international small-cap marketplace. To us, this really represents the best of two worlds—a domestic universe that we still feel great about and an international arena that we think is a source of enormous potential.

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*experiencing earnings trouble,  
we  
look back in an effort to project  
what its normalized operating  
income may be over the next  
year.  
The result of these efforts  
allows us  
to come up with a figure that  
reflects a longer-term measure  
than  
the operating income line that  
is  
found on a company's income  
statement. This in turn  
provides us  
with a cap rate estimate that's  
also  
in line with our long-term  
investment  
horizon of two to five years.*

*Generally, the higher the cap  
rate,  
the lower the valuation risk,  
which is  
why we seek cap rates  
beginning in  
the double digits. Conversely,  
cap  
rates in the mid-single digits or  
lower mean that we generally  
will  
look elsewhere. They represent  
little  
more return potential than  
owning  
risk-free U.S. treasuries, and  
we  
expect more compensation for  
taking  
the risk of equity ownership. A  
high  
cap rate is ultimately important  
because it offers us more  
potential  
upside, i.e., a more attractive*

## Letter to Our Stockholders

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Our view is that both the severity and span of a recession are likely to be fairly benign. **More importantly, the reasoning behind our confidence in the long-term prospects for stocks, particularly smaller companies, has to do with the extremity of the sell-off that began in 2007's second half and picked up steam in January 2008, which showed many equity investors behaving as if the recession were already well under way.** Still, with the likelihood of recession strong (regardless of how bad one thinks it may be), we thought it would be useful to look at the performance of smaller companies in recent periods of economic slowdown. Looking at the four recessions that have occurred since the Russell 2000's inception in 1979 shows two interesting trends: First, the performance records for small- and large-cap stocks are mixed, most likely because shifts in equity returns began prior to the official recognition of each recession's start. Second, the recessions have in general been short-lived (*see the table below*).

*risk-reward scenario, and that is critical in our search for strong absolute value.*

<b>SMALL-CAP VERSUS LARGE-CAP PERFORMANCE DURING RECESSIONS</b>				
Cumulative Total Returns During Small-Cap Decline and Subsequent Rally				
<b>Recession Begin Date</b>	<b>Recession End Date</b>	<b>Length in Months</b>	<b>S&amp;P 500</b>	<b>Russell 2000</b>
1/31/80	7/31/80	6	9.6%	7.5%
7/31/81	11/30/82	16	14.2	14.8
7/31/90	3/31/91	8	8.0	7.7
3/31/01	11/30/01	8	-0.9	3.2

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## □Exit, Pursued by a Bear□

What, then, does all of this portend for small-cap investors? Within our selection universe, it seems reasonable to expect growth to provide near-term outperformance. However, over longer-term periods, we believe that value will eventually resume its historical dominance. The Russell 2000 Value index outperformed the Russell 2000 Growth index more than 93% of the time when viewed over five-year time horizons through 12/31/07. In any case, we populate our portfolios with what we deem to be attractively priced companies drawn from the entire asset class regardless of whether they are classified as value or growth. Of greater significance to us since we do not attach value or growth labels to the stocks that we own is the idea that smaller companies retain two unique features: historical outperformance during normal- and low-return periods for equities and a more broad-based acceptance by all types of investors, something that was not the case at the beginning of this decade.

Down markets and recessions are each as inevitable as they are unpleasant. They are also finite. We think that the fourth quarter of 2007 and the events of January 2008 represented an overreaction to a slowdown in consumer spending and the economy as a whole. The market, in other words, has in many ways already responded to the recession and in our view has overestimated its severity which is why we suspect that equity returns should improve before the economy does. In the meantime, we are looking ahead and seeing opportunities that look very promising to us. Several discrete areas of our marketplace look attractively oversold in our eyes, so we are working to capture what we see as compelling values today in the hopes of a profitable long-term experience in the years to come.

Sincerely,

Charles M. Royce  
*President*

W. Whitney George  
*Vice President*

Jack E. Fockler, Jr.  
*Vice President*

January 31, 2008

Of great significance to us is the idea that that smaller companies retain two unique features: historical outperformance during normal- and low-return periods for equities and a more broad-based acceptance by all types of investors, something that was not the case at the beginning of this decade.

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## Directors and Officers

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

**Charles M. Royce, Director\*, President**

Age: 68 | Number of Funds Overseen: 27 | Tenure:  
Since 1986

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 of Royce & Associates, LLC (□Royce□), the  
Trust□s investment adviser.

**Mark R. Fetting, Director\***

Age: 53 | Number of Funds Overseen: 41 | Tenure:  
Since 2001

Non-Royce Directorships: Director/Trustee of registered  
investment companies constituting the 14 Legg Mason  
Funds.

Principal Occupation(s) During Past Five Years: President  
and Chief Executive Officer of Legg Mason, Inc.; Member  
of Board of Managers of Royce. Mr. Fetting□s prior  
business experience includes having served as Senior  
Executive Vice President of Legg Mason, Inc.; Division  
President and Senior Officer, Prudential Financial Group,  
Inc. and related companies; Partner, Greenwich  
Associates and Vice President, T. Rowe Price Group, Inc.

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**Donald R. Dwight, Director**

Age: 76 | Number of Funds Overseen: 27 | Tenure:  
Since 1998

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 a Trustee of the registered investment companies  
constituting the Eaton Vance Funds.

**Richard M. Galkin, Director**

Age: 69 | Number of Funds Overseen: 27 | Tenure:  
Since 1986

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

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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).

### Stephen L. Isaacs, Director

Age: 68 | Number of Funds Overseen: 27 | Tenure: Since 1989

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).

### William L. Koke, Director

Age: 73 | Number of Funds Overseen: 27 | Tenure: Since 1996

Non-Royce Directorships: None

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

### Arthur S. Mehlman, Director

Age: 65 | Number of Funds Overseen: 41 | Tenure: Since 2004

Non-Royce Directorships: Director/Trustee of registered investment companies constituting the 14 Legg Mason Funds and Director of Municipal Mortgage & Equity, LLC.

Principal Occupation(s) During Past Five Years: Director of The League for People with Disabilities, Inc.; Director of University of Maryland Foundation (non-profits). Formerly: Director of University of Maryland College Park Foundation (non-profit) (from 1998 to 2005); Partner, KPMG LLP (international accounting firm) (from 1972 to 2002); Director of Maryland Business Roundtable for Education (from July 1984 to June 2002).

### David L. Meister, Director

Age: 68 | Number of Funds Overseen: 27 | Tenure: Since 1986

Non-Royce Directorships: None

Principal Occupation(s) During Past Five Years: Consultant. Chairman and Chief Executive Officer of The Tennis Channel (from June 2000 to March 2005). Mr. Meister's prior business experience includes having served as Chief Executive Officer of Seniorlife.com, 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.

### G. Peter O'Brien, Director

Age: 62 | Number of Funds Overseen: 41 | Tenure: Since 2001

Non-Royce Directorships: Director/Trustee of registered investment companies constituting the 14 Legg Mason Funds; Director of Technology Investment Capital Corp.

Principal Occupation(s) During Past Five Years: Trustee Emeritus of Colgate University (since 2005); Board Member of Hill House, Inc. (since 1999); Formerly: Trustee of Colgate University (from 1996 to 2005), President of Hill House, Inc. (from 2001 to 2005) and Managing Director/Equity Capital Markets Group of Merrill Lynch & Co. (from 1971 to 1999).

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[John D. Diederich, Vice President and Treasurer](#)

Age: 56 | Tenure: Since 2001

Principal Occupation(s) During Past Five Years: Chief Operating Officer, Managing Director and member of the Board of Managers of Royce; Chief Financial Officer of Royce; Director of Administration of the Trust; and President of RFS, having been employed by Royce since April 1993.

[Jack E. Fockler, Jr., Vice President](#)

Age: 49 | Tenure: Since 1995

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

[W. Whitney George, Vice President](#)

Age: 49 | Tenure: Since 1995

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

[Daniel A. O'Byrne, Vice President and Assistant Secretary](#)

Age: 45 | Tenure: Since 1994

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

[John E. Denneen, Secretary and Chief Legal Officer](#)

Age: 40 | Tenure: 1996-2001 and Since April 2002

Principal Occupation(s) During Past Five Years: General Counsel (Deputy General Counsel prior to 2003), Principal, Chief Legal and Compliance Officer and Secretary of Royce; Secretary and Chief Legal Officer of The Royce Funds.

[Lisa Curcio, Chief Compliance Officer](#)

Age: 48 | Tenure: Since 2004

Principal Occupation(s) During Past Five Years: Chief Compliance Officer of The Royce Funds (since October 2004); Compliance Officer of Royce (since June 2004);

Vice President, The Bank of New York (from February 2001 to June 2004).

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\* Interested Director.

**AVERAGE ANNUAL NAV TOTAL RETURNS**

Through 12/31/07

Fourth Quarter 2007*	-2.62%
July-December 2007*	-4.36
One-Year	5.04
Three-Year	10.81
Five-Year	18.40
10-Year	11.77
15-Year	13.17
20-Year	13.78
Since Inception (11/26/86)	12.60

\* Not annualized.

**CALENDAR YEAR NAV TOTAL RETURNS**

Year	RVT	Year	RVT
2007	5.0%	1998	3.3%
2006	19.5	1997	27.5
2005	8.4	1996	15.5
2004	21.4	1995	21.6
2003	40.8	1994	0.1
2002	-15.6	1993	17.3
2001	15.2	1992	19.3
2000	16.6	1991	38.4
1999	11.7	1990	-13.8

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

AllianceBernstein Holding L.P.	2.1%
Ritchie Bros. Auctioneers	2.0
PAREXEL International	1.3
Sotheby's	1.2
SEACOR Holdings	1.2
Lincoln Electric Holdings	1.1
Advent Software	1.1
Exterran Holdings	1.1
Ash Grove Cement Cl. B	1.1
Rofin-Sinar Technologies	1.0

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

Technology	23.3%
Industrial Products	19.3
Industrial Services	15.2
Financial Services	13.7
Financial Intermediaries	11.7
Natural Resources	9.9
Health	7.6
Consumer Products	4.9
Consumer Services	3.7
Diversified Investment Companies	0.2
Utilities	0.2



Miscellaneous	3.7
Bond and Preferred Stock	0.3
Cash and Cash Equivalents	4.9

## Royce Value Trust

### Manager's Discussion

Royce Value Trust's (RVT) diversified portfolio of small- and micro-cap stocks posted solid results during 2007, though many investors seemed not to notice. **For the calendar year, the Fund was up 5.0% on a net asset value (NAV) basis and down 8.2% on a market price basis versus a 1.6% loss for the Russell 2000 and a 0.2% loss for the S&P SmallCap 600.** We were very pleased with RVT's calendar-year NAV result, though we were obviously disappointed by its market price showing. Much of the disparity between the Fund's NAV and market price results in 2007 can be traced back to the sizeable premium at which the Fund traded at the end of 2006 versus the discount at which its shares traded at the end of 2007. Certainly market sentiment began to turn against smaller stocks as 2007 wore on, even as our efforts in RVT's portfolio told a different story.

On an NAV basis, the Fund was ahead of both of its small-cap benchmarks in the first half, although its market price return trailed. Down 1.8% on an NAV basis in the third quarter, RVT bested the Russell 2000, which lost 3.1%, and tied the S&P 600, while its market price loss of 7.6% trailed. The year's final quarter saw a reversal of this performance pattern. RVT lost 2.6% on an NAV basis, but only 1.3% on a market price basis, both results better than the Russell 2000's 4.6% loss and the S&P 600's decline of 6.5%. We place considerable emphasis on down-market performance, so the Fund's relative edge on an NAV basis in the second half was especially gratifying to us, as was its relative strength from the small-cap peak on 7/13/07 through 12/31/07, a period in which RVT was down 7.0% versus losses of 9.9% for the Russell 2000 and 10.8% for the S&P 600. (The Fund was down 10.4% on a market price basis during this same period.)

RVT again provided strong absolute and relative results over market-cycle and other long-term periods. From the previous small-cap market peak on 3/9/00 through 12/31/07, the Fund was up 143.1% on an NAV

**GOOD IDEAS THAT WORKED**  
2007 Net Realized and Unrealized  
Investment Return\*

Ritchie Bros.  
Auctioneers \$9,318,969

basis, versus 39.5% for the Russell 2000 and 89.6% for the S&P 600. During the mostly bullish phase from the small-cap market trough on 10/9/02 through 12/31/07, the Fund gained 176.8% compared to a gain of 149.5% for the Russell 2000 and 143.1% for the S&P 600. In addition, on an NAV basis RVT held a performance advantage over each of its benchmarks for the one-, three-, five-, 10-, 15-, 20-year and since inception (11/26/86) periods ended 12/31/07. In all but the one- and three-year periods,	Peerless Manufacturing	8,449,137
	PAREXEL International	6,063,821
	Exterran Holdings	5,862,255
	GAMCO Investors Cl. A	5,052,996

\*Includes dividends

### Important Performance and Risk Information

**All performance information reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the recent month-end may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The market price of the Fund's shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund invests primarily in securities of small- and micro-cap companies that may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. 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.**

## Performance and Portfolio Review

the Fund's market price returns also outpaced those of its benchmarks. **RVT's NAV average annual total return since inception was 12.6%.**

The Industrial Products sector led the Fund in dollar-based net gains that nearly doubled those of Industrial Services, the Fund's next best-performing sector on a dollar basis. The worldwide boom in large-scale infrastructure construction, particularly in China, continued to give many industrial companies a boost. We enjoyed success with industrial auctioneer Ritchie Bros. Auctioneers, which we have owned in the Fund's portfolio since 1998. Its growing business had many investors bidding for shares, so we reduced our stake in December. Peerless Manufacturing makes filtration and air pollution abatement products. Growing earnings in a more environmentally conscious world seemed to draw investors to the stock. We trimmed our position in November.

Impressive net gains also came from holdings in other sectors. PAREXEL International is a bio-pharmaceutical services company that provides contract research, medical marketing, consulting, informatics, and advanced technology products and services to the pharmaceutical, biotechnology, and medical device industries worldwide. Its growing business and strong earnings helped its stock price stay healthy for most of 2007, including the volatile second half. GAMCO Investors was another strong second-half performer. The firm offers an array of asset management services to a variety of clients. We think that it's a well-managed firm, and also like its steady, positive earnings and dividend payout.

### GOOD IDEAS AT THE TIME 2007 Net Realized and Unrealized Investment Loss\*

Bimini Capital Management Cl. A	\$6,168,275
Newport Corporation	4,832,352
Jazz Technologies (Units)	3,658,750
BearingPoint	3,526,363
Adaptec	3,307,648

\*Net of dividends

Bimini Capital Management is a real estate investment trust (REIT) that invests primarily in residential mortgage-related securities. Its stock price predictably fell during the subprime crisis. We sold our shares in October. Newport Corporation, which makes laser-based and photonic products, saw its price slide throughout the year amidst lower-than-expected profits in its fiscal first, second and third quarters in 2007. The departure of some veteran executives did little to help.

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

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

<b>FUND INFORMATION AND PORTFOLIO DIAGNOSTICS</b>			
Fund Net Assets	1,185 million		
Symbol	RVT		
Market Price	XRVTX		
NAV			
Net Leverage <sup>□</sup>	14%		
Turnover Rate	26%		
Average Market Capitalization*	\$1,184 million		
Weighted Average P/E Ratio**	18.1x		
Weighted Average P/B Ratio	2.2x		
Weighted Average Portfolio Yield	1.2%		
<p>□Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets, excluding preferred stock.</p> <p>*Geometrically calculated</p> <p>**The Fund's P/E ratio calculation excludes companies with zero or negative earnings (9% of portfolio holdings as of 12/31/07).</p>			
<b>CAPITAL STRUCTURE</b>			
Publicly Traded Securities Outstanding at 12/31/07 at NAV or Liquidation Value			
60.0 million shares of Common Stock	\$1,185 million		
5.90% Cumulative Preferred Stock	\$220 million		
<b>RISK/RETURN COMPARISON</b>			
Five-Year Period Ended 12/31/07			
	Average Annual Total Return	Standard Deviation	Return Efficiency*
<b>RTV (NAV)</b>	<b>18.40%</b>	<b>13.58</b>	<b>1.35</b>
Russell 2000	16.25	14.44	1.13

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

**AVERAGE ANNUAL NAV TOTAL RETURNS**  
Through 12/31/07

Fourth Quarter 2007*	-4.47%
July-December 2007*	-7.86
One-Year	0.64
Three-Year	9.58
Five-Year	19.42
10-Year	11.97
Since Inception (12/14/93)	13.53

\* Not annualized.

**CALENDAR YEAR NAV TOTAL RETURNS**

Year	RMT	Year	RMT
2007	0.6%	2000	10.9%
2006	22.5	1999	12.7
2005	6.8	1998	-4.1
2004	18.7	1997	27.1
2003	55.5	1996	16.6
2002	-13.8	1995	22.9
2001	23.4	1994	5.0

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

Sapient Corporation	1.3%
Seneca Foods Cl. B	1.3
Pegasystems	1.2

PAREXEL International	1.2
Tennant Company	1.2
ASA	1.1
MVC Capital	1.1
Exponent	1.1
Peerless Manufacturing	1.1
Weyco Group	1.0
<b>PORTFOLIO SECTOR BREAKDOWN</b>	
% of Net Assets Applicable to Common Stockholders	
Technology	23.2%
Industrial Products	16.2
Health	14.9
Industrial Services	14.7
Natural Resources	10.6
Financial Intermediaries	9.1
Financial Services	6.7
Consumer Products	5.5
Consumer Services	4.3
Diversified Investment Companies	1.8
Miscellaneous	4.9
Preferred Stock	0.5
Cash and Cash Equivalents	5.7

## Royce Micro-Cap Trust

### Manager's Discussion

The miserable 2007 that most micro-cap stocks endured could be seen in the year's market price performance of Royce Micro-Cap Trust (RMT). However, little of this misery could be seen in the Fund's calendar-year net asset value (NAV) performance. **RMT more than held its own on a net asset value (NAV) basis, up 0.6% versus a decline of 1.6% for its small-cap benchmark, the Russell 2000.** Although we were certainly disappointed that the Fund was down 20.1% on a market basis for the same period, we were pleased with the Fund's NAV results during 2007. It's worth noting that at the end of 2006, RMT was trading at a good-sized premium that became a discount before the end of 2007. Market sentiment turned against smaller stocks, especially micro-caps, as 2007 turned more bearish, even as our work in RMT's portfolio showed that not all micro-caps capitulated to the bear during latter half of the year. A strong first half—up 9.2% on an NAV basis, though down 2.9% on a market basis—certainly helped the Fund to establish ground versus the Russell 2000 for the calendar year.

The Fund's showings over market cycle and other long-term performance periods remained strong. From the previous small-cap market peak on 3/9/00 through 12/31/07, RMC gained 148.8% on an NAV basis, and 164.3% on a market price basis versus a gain of 39.5% for the Russell 2000. During the generally more positive period from the small-cap market trough on 10/9/02 through 12/31/07, RMT was up an impressive 188.0%, on an NAV basis and 180.9% on a market price basis, while the Russell 2000 gained 149.5%. RMT outpaced the Russell 2000 on an NAV basis for the one-, three-, five-, 10-year and since inception (12/14/93) periods, and on a market price basis for the 5-, 10-year, and since-inception periods ended 12/31/07. **The Fund's NAV average annual total return since inception was 13.5%.**

During the first half of 2007, we noted a performance disparity within the micro-cap sector, which helped the Fund's performance. In general, higher returns came from larger, more established micro-cap companies. As the credit crunch reared its head in the second half, those micro-caps with better creditworthiness drew favor from investors. This development also benefited calendar-year results. It seemed clear to us by the end of 2007

#### GOOD IDEAS THAT WORKED 2007 Net Realized and Unrealized Investment Return\*

OneSource Services	\$2,806,923
Peerless Manufacturing	2,434,940
PAREXEL International	2,046,123
Green Mountain Coffee Roasters	1,865,472
Sapient Corporation	1,660,000

\*Includes dividends



**Important Performance and Risk Information**

**All performance information reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the recent month-end may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The market price of the Fund's shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund normally invests in micro-cap companies, which may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. 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.**

## Performance and Portfolio Review

that our preference for conservatively capitalized, quality micro-cap businesses was a sound strategy, both in an absolute sense and in the context of a market that bestowed little favor on micro-cap stocks.

We also benefited by having little exposure to financial and real estate companies and only modest exposure to consumer businesses that suffered most during 2007, although that modest exposure could not prevent Consumer Services from posting the most significant net dollar-based losses in the portfolio during 2007. The bulk of sector's declines came from retail stores. Stein Mart's stores offer fashion merchandise in the United States. Weak sales and disappointing earnings were the story throughout 2007, particularly in the second half when we added to our position. Financial Intermediaries also disappointed. First Acceptance Corporation is a regional automobile insurer specializing in policies for drivers with poor payment and/or driving histories. Higher-than-anticipated accident rates led to a loss in the firm's fiscal fourth quarter, which caused its share price to crash in September. Bimini Capital Management is a real estate investment trust (REIT) that invests primarily in residential mortgage-related securities. Its stock price predictably fell during the subprime crisis. We sold our shares in October.

### GOOD IDEAS AT THE TIME 2007 Net Realized and Unrealized Investment Loss<sup>1</sup>

First Acceptance	\$1,679,633
Jupitermedia Corporation	1,458,780
Bimini Capital Management Cl. A	1,425,007
Stein Mart	1,359,206
InPhonic	1,342,542

\*Net of dividends

The Fund's best-performing sectors on a dollar basis were areas that we have long believed house quality micro-cap companies, and that belief was validated in 2007—Industrial Products, Natural Resources and Industrial Services. Cleaning and maintenance company OneSource Services drew the attention of a larger company that acquired it at an attractive premium in November. Peerless Manufacturing manufactures filtration and air pollution abatement products. Growing earnings in a more environmentally conscious world seemed to draw investors to the stock. We trimmed our position between July and December.

<sup>1</sup>Reflects the cumulative total return of an investment made by a stockholder who purchased one share at inception (\$7.50 IPO), reinvested distributions as indicated and fully participated in the primary subscription of the 1994 rights offering.

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

**FUND INFORMATION AND  
PORTFOLIO DIAGNOSTICS**

Fund Net Assets	\$331 million
Symbol	RMT
Market Price	XOTCX
NAV	
Net Leverage <sup>□</sup>	12%
Turnover Rate	41%
Average Market Capitalization*	\$293 million
Weighted Average P/E Ratio**	17.4x
Weighted Average P/B Ratio	1.7x
Weighted Average Portfolio Yield	0.9%

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

\*Geometrically calculated

\*\*The Fund's P/E ratio calculation excludes companies with zero or negative earnings (3% of portfolio holdings as of 12/31/07).

**CAPITAL STRUCTURE**

Publicly Traded Securities Outstanding  
at 12/31/07 at NAV or Liquidation Value

24.6 million shares of Common Stock	\$331 million
6.00% Cumulative Preferred Stock	\$60 million

**RISK/RETURN COMPARISON**

Five-Year Period Ended 12/31/07

	Average Annual Total Return	Standard Deviation	Return Efficiency*
<b>RMT (NAV)</b>	<b>19.42%</b>	<b>14.37</b>	<b>1.35</b>
Russell 2000	16.25	14.44	1.13

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

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**AVERAGE ANNUAL NAV TOTAL RETURNS**

Through 12/31/07

Fourth Quarter 2007*	-3.64%
July-December 2007*	-3.21
One-Year	12.22
Three-Year	13.90
Five-Year	24.15
10-Year	13.28
Since Inception (11/1/96) <sup>□</sup>	14.15

\* Not annualized.

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

**CALENDAR YEAR NAV TOTAL RETURNS**

Year	FUND	Year	FUND
2007	12.2%	2001	10.0%
2006	16.3	2000	20.9
2005	13.3	1999	8.7
2004	29.2	1998	-6.8
2003	54.3	1997	20.5
2002	-12.5		

**TOP 10 POSITIONS**

% of Net Assets Applicable to Common Stockholders

Australian Government 7.5% Bond	5.4%
New Zealand Government 6.00% Bond	4.6
	3.5

South Africa Government 10.00% Bond	
Unit Corporation	3.4
Metal Management	3.3
Trican Well Service	3.3
Reliance Steel & Aluminum	3.3
Thor Industries	3.2
Schnitzer Steel Industries Cl. A	3.1
Lincoln Electric Holdings	3.0

**PORTFOLIO SECTOR  
BREAKDOWN**

% of Net Assets Applicable  
to Common Stockholders

Natural Resources	26.7%
Industrial Products	21.6
Consumer Products	13.1
Industrial Services	9.7
Technology	6.2
Financial Intermediaries	4.7
Health	4.7
Financial Services	1.5
Bonds	13.5
Cash and Cash Equivalents	13.4

## Royce Focus Trust

### Manager's Discussion

A dynamic first half and relatively stable second half added up to a very successful year for Royce Focus Trust (FUND) on both an absolute and relative basis. **For the calendar year, FUND gained 12.2% on a net asset value (NAV) basis and 3.0% on a market price basis, both results well ahead of its small-cap benchmark, the Russell 2000, which lost 1.6% in 2007.** After posting impressive first-half returns up 15.9% on a net asset value (NAV) basis and 8.6% on a market price basis, versus the Russell 2000's gain of 6.5%, for the same period the Fund managed well amid the third quarter's volatility. FUND was up 0.4% on an NAV basis and down 5.3% on a market price basis while its benchmark declined 3.1%.

The fourth quarter saw more widespread losses in the market as a whole, though small-cap stocks continued to be among the hardest hit. The Russell 2000 lost 4.6% between October and December, while the Fund was down 3.6% on an NAV basis and up 0.1% on a market price basis. The portfolio's down-market strength can best be seen in its performance from the small-cap peak on 7/13/07 through 12/31/07, when it lost 7.4% on an NAV basis and 7.8% on a market price basis while the Russell 2000 fell 9.9%.

From the previous small-cap market peak on 3/9/00 through 12/31/07, FUND returned 237.2% on an NAV basis and 305.2% on a market price basis, versus a 39.5% result for the small-cap index. The Fund also handily outpaced the Russell 2000 during the bullish phase from the small-cap market trough on 10/9/02 through 12/31/07, gaining 254.5% on an NAV basis and 277.9% on a market price basis, while the Russell 2000 was up 149.5% for the same period. These strong market cycle results played a major role in FUND's outperformance of the benchmark over calendar-based periods. On both an NAV and market price basis, the Fund's limited portfolio of primarily small-cap stocks beat the index for the one-, three-, five-, 10- year and since-inception of our management (11/1/96) periods ended 12/31/07. **FUND's NAV average annual total return since the inception of our management was 14.2%.**

Although five sectors posted net losses, declines on a dollar

### GOOD IDEAS THAT WORKED 2007 Net Realized and Unrealized Investment Return\*

Schnitzer Steel Industries Cl. A	\$3,691,814
IPSCO	3,396,454
Florida Rock Industries	2,290,728
Chaparral Steel	2,085,186
Woodward Governor	2,075,208

\*Includes  
dividends

basis were small. At the individual holding level, KKR Financial disappointed. The firm is run by experienced investment bankers whose business plan appealed to our contrarian nature when we first heard it in spring 2007. KKR Financial was ready for the calamitous collapse of the subprime

#### **Important Performance and Risk Information**

**All performance information reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the recent month-end may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The market price of the Fund's shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund normally invests primarily in small-cap companies, which may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. 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.**



## Performance and Portfolio Review

market and related credit crunch. They held ample highest-grade mortgage paper with which to weather the predicted storm. What the firm—and we—failed to account for was how difficult life would be even for parties holding high-quality debt in the current environment. Their mortgage holdings were suddenly devalued and the company’s levered positions only exacerbated its difficulties. In the otherwise-profitable precious metals and mining industry within the Natural Resources sector, Gammon Gold also showed net losses for the year. Lower-than-expected production at this early stage producer seemed to keep investors away in 2007. We sold some shares in October before purchasing more shares in November, mostly content to wait for operational improvements.

The Fund’s strongest dollar-based net gains came from the Industrial Products sector, which more than tripled the net gain of the next best-performing sector, Natural Resources. Each of the Fund’s top five performers—and seven of its top ten—were Industrial Products holdings. After posting stronger-than-expected fiscal third-quarter earnings in July, the share price of recycling and scrap metal business Schnitzer Steel Industries began to soar, though it moved a little

### GOOD IDEAS AT THE TIME 2007 Net Realized and Unrealized Investment Loss\*

KKR Financial	\$2,108,348
Gammon Gold	1,823,204
Knight Capital Group Cl. A	1,346,523
Arkansas Best	1,137,072
Winnebago Industries	1,098,220

\*Net of dividends

closer to earth in the fourth quarter. We trimmed our position from September through December. Canadian steel production and fabrication company IPSCO first attracted our attention in 2004 with its pristine balance sheet, strong history of earnings and high returns on capital. It was also the target of the urge to merge. Earlier this year, several larger firms began looking at the firm as a potential acquisition, with Swedish business SSAB finally closing the deal in May. We sold our shares between April and May. We first began to buy shares of construction aggregates company Florida Rock Industries in other Royce-managed portfolios more than 20 years ago and have had a position in FUND’s portfolio since 1998. In February 2007, the company was acquired by a larger competitor at a substantial premium. We finished selling our stake in April.

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

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

<sup>2</sup>Reflects the cumulative total return experience of a continuous common stockholder who reinvested all distributions as indicated and fully participated in the primary subscription of the 2005 rights offering.

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

<b>FUND INFORMATION AND PORTFOLIO DIAGNOSTICS</b>	
Fund Net Assets	\$166 million
Symbol Market Price NAV	FUND XFUNX
Net Leverage <sup>□</sup>	2%
Turnover Rate	62%
Average Market Capitalization <sup>*</sup>	\$1,290 million
Weighted Average P/E Ratio <sup>**</sup>	12.4x
Weighted Average P/B Ratio	2.4x
Weighted Average Portfolio Yield	4.0%
<p><sup>□</sup>Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets, excluding preferred stock.</p> <p><sup>*</sup>Geometrically calculated</p> <p><sup>**</sup>The Fund's P/E ratio calculation excludes companies with zero or negative earnings (10% of portfolio holdings as of 12/31/07).</p>	
<b>CAPITAL STRUCTURE</b>	
Publicly Traded Securities Outstanding at 12/31/07 at NAV or Liquidation Value	
18.6 million shares of Common Stock	\$166 million
6.00% Cumulative Preferred Stock	\$25 million
<b>RISK/RETURN COMPARISON</b>	
Five-Year Period Ended 12/31/07	

	Average Annual Total Return	Standard Deviation	Return Efficiency*
<b>FUND (NAV)</b>	<b>24.15%</b>	<b>15.56</b>	<b>1.55</b>
Russell 2000	16.25	14.44	1.13

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

## History Since Inception

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

History	Amount Invested	Purchase Price*	Shares	NAV Value**	Market Value**
<b>Royce Value Trust</b>					
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	106,216	107,339
2004 Annual distribution total \$1.55		17.604	568	128,955	139,094
2005 Annual distribution total \$1.61		18.739	604	139,808	148,773
2006 Annual distribution total \$1.78		19.696	693	167,063	179,945
2007 Annual distribution total \$1.85		19.687	787		
<b>12/31/07</b>	<b>\$ 21,922</b>		<b>8,889</b>	<b>\$ 175,469</b>	<b>\$ 165,158</b>

### Royce Micro-Cap Trust

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12/14/93	Initial Purchase	\$ 7,500	\$ 7,500	1,000	\$ 7,250	\$ 7,500
10/28/94	Rights Offering	1,400	7,000	200		
12/19/94	Distribution \$0.05		6,750	9	9,163	8,462
12/7/95	Distribution \$0.36		7,500	58	11,264	10,136
12/6/96	Distribution \$0.80		7,625	133	13,132	11,550
12/5/97	Distribution \$1.00		10,000	140	16,694	15,593
12/7/98	Distribution \$0.29		8,625	52	16,016	14,129
12/6/99	Distribution \$0.27		8,781	49	18,051	14,769
12/6/00	Distribution \$1.72		8,469	333	20,016	17,026
12/6/01	Distribution \$0.57		9,880	114	24,701	21,924
2002	Annual distribution total \$0.80		9,518	180	21,297	19,142
2003	Annual distribution total \$0.92		10,004	217	33,125	31,311
2004	Annual distribution total \$1.33		13,350	257	39,320	41,788
2005	Annual distribution total \$1.85		13,848	383	41,969	45,500
2006	Annual distribution total \$1.55		14,246	354	51,385	57,647
2007	Annual distribution total \$1.35		13,584	357		

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<b>12/31/07</b>	<b>\$ 8,900</b>	<b>3,836</b>	<b>\$ 51,709</b>	<b>\$ 45,802</b>
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**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	12,105	11,406
2004	Annual distribution total \$1.74		9,325	259	15,639	16,794
5/6/05	Rights offering	2,669	8,340	320		
2005	Annual distribution total \$1.21		9,470	249	21,208	20,709
2006	Annual distribution total \$1.57		9,860	357	24,668	27,020
2007	Annual distribution total \$2.01		9,159	573		

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<b>12/31/07</b>	<b>\$ 7,044</b>	<b>3,103</b>	<b>\$ 27,679</b>	<b>\$ 27,834</b>
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Beginning with the 1997 (RVT), 2002 (RMT) and 2004 (FUND) distributions, the purchase price of distributions is \* a weighted average of the distribution reinvestment prices for the year.

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

## Distribution Reinvestment and Cash Purchase Options

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### **Why should I reinvest my distributions?**

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

### **How does the reinvestment of distributions from the Royce closed-end funds work?**

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

### **How does this apply to registered stockholders?**

If your shares are registered directly with a Fund, your distributions are automatically reinvested unless you have otherwise instructed the Funds' transfer agent, Computershare, in writing. A registered stockholder also has the option to receive the distribution in the form of a stock certificate or in cash if Computershare 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 Computershare on a monthly basis, and to deposit certificates representing your Fund shares with Computershare for safekeeping. The Funds' investment adviser is absorbing all commissions on optional cash purchases under the Plans through December 31, 2008.

### **How do the Plans work for registered stockholders?**

Computershare 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 Computershare 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 Computershare 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, Computershare 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 Computershare. All correspondence (including notifications) should be directed to: [Name of Fund] Distribution Reinvestment and Cash Purchase Plan, c/o Computershare, PO Box 43010, Providence, RI 02940-3010, telephone (800) 426-5523.

# Royce Value Trust

## Schedule of Investments

	SHARES	VALUE
<b>COMMON STOCKS</b> □		
<b>113.4%</b>		
<b>Consumer Products</b> □		
<b>4.9%</b>		
Apparel, Shoes and Accessories - 1.8%		
Brown Shoe Company	15,600	\$ 236,652
Kenneth Cole Productions Cl. A	35,000	612,150
Columbia Sportswear	34,600	1,525,514
Delta Apparel <sup>b</sup>	580,760	4,152,434
Jos. A. Bank Clothiers <sup>a,c</sup>	5,800	165,010
K-Swiss Cl. A	110,000	1,991,000
Lazare Kaplan International <sup>a</sup>	103,600	842,268
Polo Ralph Lauren Cl. A	12,500	772,375
Quiksilver <sup>a,c</sup>	19,000	163,020
Skechers U.S.A. Cl. A <sup>a,c</sup>	5,500	107,305
Tandy Brands Accessories	13,200	128,700
Timberland Company Cl. A <sup>a,c</sup>	5,000	90,400
Tod's	30,000	2,091,909
Warnaco Group (The) <sup>a,c</sup>	4,900	170,520
Weyco Group	307,992	8,469,780
		21,519,037
<b>Collectibles - 0.6%</b>		
Leapfrog Enterprises Cl. A <sup>a,c</sup>	175,000	1,177,750
RC2 Corporation <sup>a</sup>	132,600	3,722,082
Russ Berrie & Company <sup>a</sup>	124,300	2,033,548
		6,933,380
<b>Food/Beverage/Tobacco - 0.2%</b>		
Hain Celestial Group <sup>a,c</sup>	37,800	1,209,600
Hershey Creamery	709	1,471,175
		2,680,775
<b>Health, Beauty and Nutrition - 0.1%</b>		
NutriSystem <sup>a,c</sup>	5,000	134,900
Sally Beauty Holdings <sup>a,c</sup>	194,600	1,761,130
		1,896,030



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Home Furnishing and Appliances - 1.5%

Aaron Rents	4,500	86,580
DTS <u>a,c</u>	64,100	1,639,037
Ekornes	110,000	1,933,701
Ethan Allen Interiors	50,800	1,447,800
Hunter Douglas	23,300	1,718,519
Kimball International Cl. B	286,180	3,920,666
La-Z-Boy <u>c</u>	68,200	540,826
Lewis Group	425,000	2,849,445
Rational	14,900	3,048,318
Universal Electronics <u>a,c</u>	10,000	334,400

17,519,292

Household Products/Wares - 0.1%

Blyth	14,700	322,518
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Sports and Recreation - 0.6%

Beneteau	100,000	2,547,785
Coachmen Industries <u>c</u>	47,700	283,815
Monaco Coach	166,650	1,479,852
Sturm, Ruger & Company <u>a</u>	272,900	2,259,612
Thor Industries	26,100	992,061

7,563,125

**Total** (Cost \$49,543,275)

58,434,157

Consumer Services □

3.7%

Direct Marketing - 0.1%

Takkt	115,000	1,998,743
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	SHARES	VALUE
<b>Leisure and Entertainment - 0.1%</b>		
Shuffle Master <u>a,c</u>	15,000	\$ 179,850
<b>Media and Broadcasting - 0.1%</b>		
Cox Radio Cl. A <u>a,c</u>	23,000	279,450
Discovery Holding Company Cl. B <u>a,c</u>	36,600	931,470
		1,210,920
<b>Online Commerce - 0.1%</b>		
FTD Group	55,000	708,400
<b>Restaurants and Lodgings - 0.9%</b>		
Benihana Cl. A <u>a,c</u>	6,600	84,150
CEC Entertainment <u>a,c</u>	184,300	4,784,428
Jamba <u>a,c</u>	18,600	68,820
Krispy Kreme Doughnuts <u>a,c</u>	26,400	83,424
Morgans Hotel Group <u>a,c</u>	90,000	1,735,200

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Steak n Shake <sup>a</sup>	198,000	2,158,200
Tim Hortons	65,000	2,400,450
		11,314,672
<b>Retail Stores - 2.3%</b>		
America's Car-Mart <sup>a,c</sup>	95,400	1,197,270
BJ's Wholesale Club <sup>a,c</sup>	4,300	145,469
Blockbuster Cl. A <sup>a,c</sup>	27,000	105,300
Build-A-Bear Workshop <sup>a,c</sup>	10,000	139,500
Bulgari	300,000	4,174,010
CarMax <sup>a,c</sup>	50,000	987,500
Charlotte Russe Holding <sup>a</sup>	8,100	130,815
Children's Place Retail Stores <sup>a</sup>	13,670	354,463
DSW Cl. A <sup>a,c</sup>	8,700	163,212
Dress Barn (The) <sup>a,c</sup>	287,280	3,593,873
Fielmann	27,533	1,808,645
Fred's Cl. A	50,000	481,500
Gander Mountain <sup>a,c</sup>	53,300	262,769
Gymboree Corporation <sup>a,c</sup>	5,300	161,438
Hot Topic <sup>a,c</sup>	29,000	168,780
99 Cents Only Stores <sup>a,c</sup>	95,000	756,200
Pier 1 Imports <sup>a,c</sup>	1,000,000	5,230,000
Stein Mart	182,800	866,472
Tiffany & Co.	125,000	5,753,750
Urban Outfitters <sup>a,c</sup>	27,000	736,020
West Marine <sup>a</sup>	131,100	1,177,278
Wet Seal (The) Cl. A <sup>a,c</sup>	162,000	377,460
		28,771,724
<b>Other Consumer Services - 0.1%</b>		
Knot (The) <sup>a,c</sup>	15,000	239,100
<b>Total</b> (Cost \$44,883,463)		44,423,409
<b>Diversified Investment Companies - 0.2%</b>		
<b>Closed-End Funds - 0.2%</b>		
Central Fund of Canada Cl. A	181,500	1,967,460
<b>Total</b> (Cost \$1,297,400)		1,967,460
<b>Financial Intermediaries - 11.7%</b>		
<b>Banking - 4.4%</b>		
Ameriana Bancorp	40,000	343,200
BB Holdings <sup>a</sup>	289,400	1,382,312
BOK Financial	164,227	8,490,536
Banca Finnat Euramerica	210,630	268,762
Bank of N.T. Butterfield & Son	371,250	6,775,313
Bank Sarasin & Cie Cl. B	125	589,217



December 31, 2007

	SHARES	VALUE
<b>Financial Intermediaries</b>		
<b>(continued)</b>		
<b>Banking (continued)</b>		
Banque Privee Edmond de Rothschild	17	\$ 653,364
CFS Bancorp	265,000	3,879,600
Cadence Financial	40,300	587,977
Commercial National Financial	54,900	1,033,218
Farmers & Merchants Bank of Long Beach	1,266	8,355,600
Hawthorn Bancshares	44,400	1,110,000
Heritage Financial	12,915	257,008
HopFed Bancorp	112,500	1,658,250
Jefferson Bancshares	32,226	325,483
Mechanics Bank	200	3,610,000
Nexity Financial <sup>a,c</sup>	147,599	980,057
Old Point Financial	25,000	508,750
Timberland Bancorp <sup>b</sup>	469,200	5,714,856
Tompkins Financial	17,545	680,746
Vontobel Holding	12,000	581,341
W Holding Company	935,400	1,131,834
Whitney Holding	40,500	1,059,075
Wilber Corporation	103,900	909,125
Wilmington Trust	31,000	1,091,200
Yadkin Valley Financial	3,800	58,026
		52,034,850
<b>Insurance - 3.8%</b>		
Alleghany Corporation <sup>a</sup>	15,318	6,157,836
Aspen Insurance Holdings	64,000	1,845,760
Erie Indemnity Cl. A	139,900	7,259,411
Greenlight Capital Re Cl. A <sup>a,c</sup>	80,500	1,673,595
IPC Holdings	27,000	779,490
Leucadia National	44,940	2,116,674
MBIA	69,200	1,289,196
Markel Corporation <sup>a</sup>	7,200	3,535,920
Montpelier Re Holdings	66,000	1,122,660
NYMAGIC	85,200	1,970,676
ProAssurance Corporation <sup>a,c</sup>	38,070	2,090,804
RLI	99,724	5,663,326
Security Capital Assurance	30,000	116,700
Stewart Information Services	103,800	2,708,142
Wesco Financial	4,750	1,933,250
White Mountains Insurance Group	9,000	4,626,450
Zenith National Insurance	2,000	89,460

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44,979,350

Real Estate Investment

Trusts - 0.1%

Gladstone Commercial	34,700	608,638
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Securities Brokers - 2.2%

Broadpoint Securities Group a,c	200,100	236,118
Cowen Group a,c	32,000	304,320
Duff & Phelps Cl. A a,c	5,000	98,400
DundeeWealth	33,300	606,988
E*TRADE Financial a,c	75,000	266,250
FBR Capital Markets a,c	290,600	2,783,948
HQ AB	24,000	638,989
Interactive Brokers Group Cl. A a,c	79,400	2,566,208
Investment Technology Group a,c	30,400	1,446,736
KBW a,c	50,000	1,279,500
Knight Capital Group Cl. A a,c	229,700	3,307,680
LaBranche & Co a	137,000	690,480
Lazard Cl. A	176,700	7,188,156

	SHARES	VALUE
optionsXpress Holdings	53,000	\$ 1,792,460
Phatra Securities	575,000	583,832
Piper Jaffray a,c	10,000	463,200
Shinko Securities	464,300	1,924,747

26,178,012

Other Financial Intermediaries - 1.2%

AP Alternative Assets L.P.	298,600	4,463,068
KKR Financial	401,404	5,639,726
KKR Private Equity		
Investors LLP	105,000	1,910,503
Kohlberg Capital	179,900	2,158,800

14,172,097

**Total** (Cost \$111,770,228)

137,972,947

Financial Services 13.7%

Diversified Financial

Services - 1.3%

AmeriCredit Corporation a,c	18,870	241,347
Centerline Holding Company	59,600	454,152
Close Brothers Group	15,000	281,921
CompuCredit Corporation a,c	12,200	121,756
Encore Capital Group a	30,000	290,400
FCStone Group a	950	43,728
MarketAxess Holdings a	67,000	859,610
MoneyGram International	387,300	5,952,801
Municipal Mortgage & Equity	40,300	598,052
Ocwen Financial a,c	173,600	961,744
	69,100	2,741,197

Portfolio Recovery Associates		
World Acceptance <sup>a,c</sup>	121,700	3,283,466
		<hr/>
		15,830,174
		<hr/>
<b>Information and Processing - 1.8%</b>		
Deluxe Corporation	3,500	115,115
FactSet Research Systems	35,350	1,968,995
Global Payments	68,500	3,186,620
Interactive Data	134,300	4,433,243
MSCI Cl. A <sup>a,c</sup>	55,000	2,112,000
PRG-Schultz International <sup>a,c</sup>	14,420	123,579
<b>SEI Investments</b>	282,400	9,084,808
		<hr/>
		21,024,360
		<hr/>
<b>Insurance Brokers - 1.3%</b>		
Brown & Brown	115,000	2,702,500
Crawford & Company Cl. A <sup>a</sup>	289,200	1,012,200
Crawford & Company Cl. B <sup>a</sup>	162,300	673,545
eHealth <sup>a</sup>	25,000	802,750
Enstar Group <sup>a,c</sup>	7,000	856,940
Gallagher (Arthur J.) & Co.	111,200	2,689,928
Hilb Rogal & Hobbs	155,050	6,290,379
National Financial Partners	22,000	1,003,420
		<hr/>
		16,031,662
		<hr/>
<b>Investment Management - 8.7%</b>		
Aberdeen Asset Management	855,000	2,850,593
ADDENDA Capital	150,900	3,440,144
Affiliated Managers Group <sup>a,c</sup>	15,600	1,832,376
<b>AllianceBernstein Holding L.P.</b>	333,100	25,065,775
Anima	700,000	2,172,692
Ashmore Group	80,000	424,532
Australian Wealth Management	231,000	508,802
Azimut Holding	40,000	512,870
BKF Capital Group <sup>a,c</sup>	227,050	504,051

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

2007 Annual Report to  
Stockholders | 21

# Royce Value Trust

## Schedule of Investments

	SHARES	VALUE
<b>Financial Services</b>		
<b>(continued)</b>		
Investment Management		
<b>(continued)</b>		
Calamos Asset Management Cl. A	45,000	\$ 1,340,100
Candover Investments	21,000	744,702
CapMan Cl. B	550,000	2,607,310
Coronation Fund Managers	250,000	297,436
Deutsche Beteiligungs	90,000	2,815,084
Eaton Vance	150,200	6,820,582
Equity Trustees	19,392	536,693
Evercore Partners Cl. A	283,100	6,100,805
F&C Asset Management	150,000	571,697
Federated Investors Cl. B	161,900	6,663,804
Fiducian Portfolio Services	150,000	363,039
<b>GAMCO Investors Cl. A</b>	158,600	10,975,120
GP Investments BDR	85,000	3,824,908
Gimv	12,200	829,317
Highbury Financial <sup>a,c</sup>	333,350	1,500,075
JAFCO	37,300	1,221,810
MVC Capital	473,200	7,637,448
New Star Asset Management Group	93,000	327,155
Onex Corporation	50,000	1,772,633
Perpetual	10,000	582,339
RHJ International <sup>a</sup>	177,500	2,899,795
Rathbone Brothers	24,500	510,301
SPARX Group	6,900	3,281,794
Schroders	21,000	540,357
Trust Company	55,000	564,806
		102,640,945
<b>Specialty Finance - 0.6%</b>		
Credit Acceptance <sup>a,c</sup>	216,601	4,477,143
MCG Capital	138,000	1,599,420
NGP Capital Resources	50,000	781,500
		6,858,063
<b>Total</b> (Cost \$131,055,254)		162,385,204
<b>Health <sup>a</sup> 7.6%</b>		
Commercial Services - 1.3%		
<b>PAREXEL International</b>		
<sup>a,c</sup>	313,700	15,151,710

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Drugs and Biotech - 2.0%

Adolor Corporation <u>a,c</u>	172,000	791,200
Affymetrix <u>a,c</u>	10,000	231,400
Biovail Corporation	41,200	554,552
Endo Pharmaceuticals Holdings <u>a,c</u>	155,000	4,133,850
Gene Logic <u>a,c</u>	589,900	483,718
Genitope Corporation <u>a,c</u>	150,000	111,000
Human Genome Sciences <u>a,c</u>	90,000	939,600
K-V Pharmaceutical Cl. A <u>a,c</u>	51,500	1,469,810
Medicines Company (The) <u>a,c</u>	20,000	383,200
Millennium Pharmaceuticals <u>a,c</u>	100,000	1,498,000
Mylan Laboratories <u>c</u>	52,200	733,932
Myriad Genetics <u>a,c</u>	50,000	2,321,000
Origin Agritech <u>a</u>	28,600	189,046
Perrigo Company	191,950	6,720,170
Pharmacyclics <u>a,c</u>	383,000	555,350
Pharmanet Development Group <u>a,c</u>	10,000	392,100
QLT <u>a</u>	114,070	504,189
Sinovac Biotech <u>a,c</u>	27,200	139,264
Sunesis Pharmaceuticals <u>a,c</u>	582,000	1,146,540
VIVUS <u>a,c</u>	163,300	845,894
		24,143,815

	SHARES	VALUE
<b>Health Services - 1.1%</b>		
Albany Molecular Research <u>a</u>	85,000	\$ 1,222,300
Cross Country Healthcare <u>a</u>	30,000	427,200
Eclipsys Corporation <u>a,c</u>	20,000	506,200
Gentiva Health Services <u>a</u>	30,150	574,056
HMS Holdings <u>a,c</u>	50,000	1,660,500
Lincare Holdings <u>a</u>	52,562	1,848,080
MedQuist <u>a</u>	73,893	694,594
On Assignment <u>a,c</u>	375,400	2,631,554
Paramount Acquisition (Units) <u>a</u>	280,000	2,142,000
Res-Care <u>a,c</u>	65,460	1,646,974
		13,353,458

**Medical Products and Devices - 3.0%**

Allied Healthcare Products <u>a,c</u>	201,112	1,458,062
ArthroCare Corporation <u>a,c</u>	10,000	480,500
Atrion Corporation	15,750	2,008,125
Bruker BioSciences <u>a</u>	370,200	4,923,660
Coloplast Cl. B	17,000	1,459,196
CONMED Corporation <u>a,c</u>	81,500	1,883,465
Golden Meditech	113,600	50,339
<b>IDEXX Laboratories <u>a</u></b>	158,000	9,263,540
Invacare Corporation	103,100	2,598,120
STERIS Corporation	98,600	2,843,624
Urologix <u>a,c</u>	445,500	516,780
Waters Corporation <u>a</u>	75,990	6,008,529
Young Innovations	62,550	1,495,571
Zoll Medical <u>a,c</u>	40,400	1,079,488



		36,068,999
<b>Personal Care - 0.2%</b>		
Nutraceutical International <sup>a</sup>	22,800	302,100
USANA Health Sciences <sup>a,c</sup>	38,900	1,442,412
		1,744,512
<b>Total</b> (Cost \$54,659,716)		90,462,494
<b>Industrial Products <span style="font-size: 0.8em;">□</span></b>		
<b>19.3%</b>		
<b>Automotive - 1.6%</b>		
Copart <sup>a,c</sup>	158,100	6,727,155
ElringKlinger	20,000	2,485,463
Fuel Systems Solutions <sup>a,c</sup>	22,500	321,525
International Textile Group <sup>a</sup>	85,000	255,000
LKQ Corporation <sup>a,c</sup>	375,000	7,882,500
Quantam Fuel Systems Technologies Worldwide <sup>a,c</sup>	15,500	7,440
SOORL Auto Parts <sup>a,c</sup>	26,700	195,444
Superior Industries International	52,000	944,840
		18,819,367
<b>Building Systems and Components - 1.3%</b>		
Armstrong World Industries <sup>a,c</sup>	4,100	164,451
Decker Manufacturing	6,022	207,759
Heywood Williams Group <sup>a</sup>	958,837	873,550
NCI Building Systems <sup>a</sup>	10,000	287,900
Preformed Line Products	91,600	5,450,200
Simpson Manufacturing	250,800	6,668,772
Somfy	6,000	1,756,197
		15,408,829
<b>Construction Materials - 1.5%</b>		
<b>Ash Grove Cement Cl. B</b>	50,518	12,680,018
Duratex	61,000	1,476,542
Nice	200,000	1,066,144

December 31, 2007

	SHARES	VALUE
<b>Industrial Products</b>		
<b>(continued)</b>		
Construction Materials		
<b>(continued)</b>		
Pretoria Portland Cement Company	300,000	\$ 1,916,049
USG Corporation <sup>a,c</sup>	25,000	894,750
		18,033,503
<b>Industrial Components -</b>		
<b>1.4%</b>		
Barnes Group	20,000	667,800
CLARCOR	83,500	3,170,495
Donaldson Company	92,800	4,304,064
GrafTech International <sup>a,c</sup>	64,790	1,150,022
PerkinElmer	135,000	3,512,700
Powell Industries <sup>a</sup>	92,400	4,072,068
II-VI <sup>a</sup>	13,500	412,425
		17,289,574
<b>Machinery - 6.8%</b>		
Astec Industries <sup>a</sup>	3,900	145,041
Baldor Electric	62,900	2,117,214
Bell Equipment	160,000	1,236,260
Burnham Holdings Cl. B	36,000	520,200
Coherent <sup>a,c</sup>	243,500	6,104,545
Diebold	73,600	2,132,928
Exco Technologies	91,000	363,281
Federal Signal	58,600	657,492
Franklin Electric	104,800	4,010,696
Graco	106,825	3,980,299
Hardinge	26,193	439,519
Haulotte Group	20,000	593,769
IDEX Corporation	54,000	1,951,020
Intermec <sup>a,c</sup>	23,000	467,130
<b>Lincoln Electric Holdings</b>	188,680	13,430,242
Manitou BF	65,000	2,972,798
Mueller Water Products Cl. A	72,500	690,200
<b>Nordson Corporation</b>	172,200	9,980,712
OSG Corporation	20,000	218,780
Pfeiffer Vacuum Technology	49,000	3,925,300
<b>Rofin-Sinar Technologies</b>		
<sup>a,c</sup>	256,000	12,316,160
Takatori Corporation	40,000	188,640
Vacon	50,000	2,026,232
Williams Controls <sup>a,c</sup>	37,499	641,608
<b>Woodward Governor</b>	144,800	9,839,160

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80,949,226

**Metal Fabrication and Distribution - 1.7%**

Commercial Metals	36,600	1,077,870
CompX International Cl. A	292,300	4,273,426
Gerdau Ameristeel	61,100	868,842
Kaydon Corporation	150,800	8,224,632
Metal Management	3,500	159,355
NN	197,100	1,856,682
RBC Bearings <sup>a,c</sup>	45,000	1,955,700
Reliance Steel & Aluminum	25,920	1,404,864
§ims Group	860	20,155

19,841,526

**Miscellaneous Manufacturing - 3.0%**

Brady Corporation Cl. A	228,400	8,014,556
Matthews International Cl. A	100,000	4,687,000
Mettler-Toledo International <sup>a,c</sup>	28,700	3,266,060
Myers Industries	30,499	441,321
<b>Peerless Manufacturing <sup>a</sup></b>	252,600	10,404,594

	<b>SHARES</b>	<b>VALUE</b>
Raven Industries	86,200	\$ 3,309,218
§emperit AG Holding	46,275	1,688,800
Solar Integrated Technologies <sup>a</sup>	75,000	149,279
§ynalloy Corporation	198,800	3,417,372
		<u>35,378,200</u>

**Paper and Packaging - 0.5%**

§uala Closures	300,000	1,811,654
Mayr-Melnhof Karton	36,000	3,892,304
Peak International <sup>a</sup>	408,400	906,648
		<u>6,610,606</u>

**Specialty Chemicals and Materials - 1.3%**

Aceto Corporation	119,710	957,680
American Vanguard	26,666	462,655
Cabot Corporation	207,500	6,918,050
Calgon Carbon <sup>a,c</sup>	6,400	101,696
Fuel Tech <sup>a,c</sup>	10,000	226,500
Hawkins	206,878	3,103,170
Lydall <sup>a</sup>	35,500	373,460
Schulman (A.)	143,100	3,083,805
Sensient Technologies	22,000	622,160
Spartech Corporation	5,000	70,500
		<u>15,919,676</u>

**Textiles - 0.1%**

Unifi <sup>a</sup>	145,100	351,142
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Other Industrial Products - 0.1%		
Distributed Energy Systems <u>a</u>	32,000	12,800
		<hr/>
<b>Total</b> (Cost \$118,482,732)		228,614,449
		<hr/>
<b>Industrial Services</b> □ <b>15.2%</b>		
Advertising and Publishing - 1.5%		
Focus Media Holding ADR <u>a,c</u>	71,900	4,084,639
Interpublic Group of Companies <u>a,c</u>	510,000	4,136,100
Lamar Advertising Cl. A	38,000	1,826,660
MDC Partners Cl. A <u>a,c</u>	60,000	584,400
Scholastic Corporation <u>a,c</u>	130,000	4,535,700
ValueClick <u>a,c</u>	45,000	985,500
Voyager Learning <u>a,c</u>	150,000	1,050,000
		<hr/>
		17,202,999
		<hr/>
Commercial Services - 5.7%		
Allied Waste Industries <u>a</u>	188,800	2,080,576
Anacomp Cl. A <u>a</u>	24,000	56,400
Animal Health International <u>a,c</u>	30,000	369,000
Canadian Solar <u>a,c</u>	50,000	1,407,500
ChinaCast Education <u>a,c</u>	5,000	34,200
Convergys Corporation <u>a,c</u>	121,000	1,991,660
Corinthian Colleges <u>a,c</u>	106,500	1,640,100
Diamond Management & Technology Consultants	80,400	584,508
First Advantage Cl. A <u>a,c</u>	5,000	82,350
Forrester Research <u>a</u>	40,300	1,129,206
Headwaters <u>a,c</u>	13,100	153,794
Hewitt Associates Cl. A <u>a</u>	208,720	7,991,889
ITT Educational Services <u>a</u>	72,000	6,139,440
<b>Iron Mountain</b> <u>a,c</u>	234,262	8,672,379
Landauer	117,900	6,113,115
Learning Tree International <u>a</u>	53,400	1,226,064
MPS Group <u>a</u>	564,600	6,176,724

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

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Stockholders | 23

## Royce Value Trust

### Schedule of Investments

	SHARES	VALUE
<b>Industrial Services</b>		
<b>(continued)</b>		
Commercial Services		
<b>(continued)</b>		
MAXIMUS	127,900	\$ 4,938,219
Monster Worldwide <sup>a</sup>	24,800	803,520
New Horizons		
Worldwide <sup>a</sup>	228,600	365,760
<b>Sotheby's</b>	367,200	13,990,320
Spherion Corporation		
<sup>a,c</sup>	53,000	385,840
Steiner Leisure <sup>a,c</sup>	2,100	92,736
TRC Companies <sup>a</sup>	3,600	28,800
TeleTech Holdings <sup>a,c</sup>	8,200	174,414
Travelcenters of		
America <sup>a,c</sup>	2,500	31,250
Viad Corporation	9,025	285,010
Wright Express <sup>a,c</sup>	30,000	1,064,700
		68,009,474
<b>Engineering and</b>		
<b>Construction - 1.6%</b>		
Boskalis Westminster	40,000	2,429,948
Comstock		
Homebuilding Cl. A <sup>a,c</sup>	15,000	9,900
Desarrolladora Homex		
SAB de CV <sup>a,c</sup>	9,800	484,610
Dycom Industries <sup>a,c</sup>	35,500	946,075
EMCOR Group <sup>a,c</sup>	6,500	153,595
Fleetwood Enterprises		
<sup>a</sup>	234,300	1,401,114
Insituform		
Technologies Cl. A <sup>a,c</sup>	137,000	2,027,600
Integrated Electrical		
Services <sup>a,c</sup>	340,400	6,396,116
KBR <sup>a</sup>	140,000	5,432,000
		19,280,958
<b>Food and Tobacco</b>		
<b>Processors - 0.4%</b>		
Astral Foods	10,000	222,251
MGP Ingredients	127,400	1,200,108
Performance Food		
Group <sup>a,c</sup>	10,000	268,700
Seneca Foods Cl. A <sup>a,c</sup>	80,000	1,900,000
Seneca Foods Cl. B <sup>a,c</sup>	13,251	293,642

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		3,884,701
<hr/>		
<b>Industrial Distribution - 2.6%</b>		
Central Steel & Wire	6,062	3,788,750
MSC Industrial Direct Cl. A	74,300	3,006,921
Manutan International	6,445	546,249
<b>Ritchie Bros. Auctioneers</b>	286,400	23,685,280
<hr/>		
		31,027,200
<hr/>		
<b>Printing - 0.1%</b>		
Bowne & Co.	68,100	1,198,560
<hr/>		
<b>Transportation and Logistics - 3.3%</b>		
Alexander & Baldwin	60,000	3,099,600
American Commercial Lines <sup>a,c</sup>	9,900	160,776
Atlas Air Worldwide Holdings <sup>a,c</sup>	20,100	1,089,822
C. H. Robinson Worldwide	80,000	4,329,600
Forward Air	269,750	8,408,107
Frozen Food Express Industries	286,635	1,691,146
Global Oceanic Carriers <sup>a</sup>	10,000	22,582
Hub Group Cl. A <sup>a,c</sup>	174,400	4,635,552
Landstar System	96,200	4,054,830
Patriot Transportation Holding <sup>a</sup>	80,300	7,406,069
UTI Worldwide	112,900	2,212,840
Universal Truckload Services <sup>a</sup>	115,100	2,205,316
<hr/>		
		39,316,240
<hr/>		
<b>Total (Cost \$103,117,245)</b>		179,920,132
<hr/>		

	SHARES	VALUE
<b>Natural Resources</b> □		
<b>9.9%</b>		
<b>Energy Services - 5.1%</b>		
Atwood Oceanics <sup>a,c</sup>	29,400	\$ 2,947,056
Cal Dive International <sup>a,c</sup>	50,000	662,000
Carbo Ceramics	155,200	5,773,440
Core Laboratories <sup>a,c</sup>	10,000	1,247,200
Ensign Energy Services	126,300	1,951,543
Environmental Power <sup>a,c</sup>	326,000	1,489,820
<b>Exterran Holdings</b> <sup>a,c</sup>	157,500	12,883,500
Global Industries <sup>a</sup>	54,500	1,167,390
Helix Energy Solutions Group <sup>a,c</sup>	34,226	1,420,379
Helmerich & Payne	80,600	3,229,642
ION Geophysical <sup>a,c</sup>	464,500	7,329,810
National Fuel Gas	32,500	1,517,100

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Particle Drilling Technologies <sup>a</sup>	61,500	158,670
Pioneer Drilling <sup>a</sup>	6,000	71,280
<b>SEACOR Holdings <sup>a,c</sup></b>	147,000	13,632,780
Superior Offshore International <sup>a,c</sup>	10,000	50,200
TETRA Technologies <sup>a,c</sup>	68,000	1,058,760
Trico Marine Services <sup>a,c</sup>	3,600	133,272
Willbros Group <sup>a,c</sup>	103,800	3,974,502
		<hr/>
		60,698,344
		<hr/>
<b>Oil and Gas - 1.1%</b>		
Bill Barrett <sup>a</sup>	50,000	2,093,500
Carrizo Oil & Gas <sup>a,c</sup>	41,700	2,283,075
Cimarex Energy	145,490	6,187,690
Falcon Oil & Gas <sup>a</sup>	360,000	125,842
Penn Virginia	32,880	1,434,554
PetroCorp <sup>a,d</sup>	61,400	0
PetroQuest Energy <sup>a,c</sup>	5,000	71,500
Storm Cat Energy <sup>a,c</sup>	330,800	241,484
W&T Offshore	25,000	749,000
		<hr/>
		13,186,645
		<hr/>
<b>Precious Metals and Mining - 2.5%</b>		
Agnico-Eagle Mines	34,000	1,857,420
Centerra Gold <sup>a</sup>	30,000	382,086
Etruscan Resources <sup>a</sup>	745,900	1,677,793
Gammon Gold <sup>a,c</sup>	198,300	1,588,383
Golden Star Resources <sup>a,c</sup>	175,000	553,000
Hecla Mining <sup>a</sup>	490,500	4,586,175
IAMGOLD Corporation	335,620	2,718,522
International Coal Group <sup>a,c</sup>	189,000	1,013,040
Ivanhoe Mines <sup>a,c</sup>	140,000	1,502,200
Kinross Gold <sup>a,c</sup>	110,286	2,029,262
Metorex <sup>a</sup>	650,000	2,065,541
Northam Platinum	500,000	2,928,081
Northgate Minerals <sup>a</sup>	100,000	303,000
NovaGold Resources <sup>a</sup>	40,000	326,400
Pan American Silver <sup>a,c</sup>	41,000	1,432,130
Randgold Resources ADR	53,000	1,967,890
Royal Gold	34,400	1,049,888
Yamana Gold	171,635	2,220,957
		<hr/>
		30,201,768
		<hr/>
<b>Real Estate - 1.2%</b>		
Alico	27,000	985,500
Consolidated-Tomoka Land	13,564	850,192