

ROYCE VALUE 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: 811-04875

Name of Registrant: Royce Value Trust, Inc.

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

Name and address of agent for service: John E. Denneen, Esquire  
1414 Avenue of the Americas  
New York, NY 10019

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

Date of fiscal year end: December 31

Date of reporting period: 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.

## 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.

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## 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<br>(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<br>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<br>(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<br/>BREAKDOWN</b>                |       |
| % of Net Assets Applicable<br>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<br>Companies                  | 1.8   |
| Miscellaneous  | 4.9   |
| Preferred Stock                                      | 0.5   |
| Cash and Cash<br>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<br>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.

| <b>FUND INFORMATION AND PORTFOLIO DIAGNOSTICS</b>   |                             |                    |                    |
|---|-----------------------------|--------------------|--------------------|
| 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%               |
| <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 (3% 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  |                             |                    |                    |
| 24.6 million shares of Common Stock   |                             |                    | \$331 million      |
| 6.00% Cumulative Preferred Stock  |                             |                    | \$60 million       |
| <b>RISK/RETURN COMPARISON</b>   |                             |                    |                    |
| 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<br>7.5% Bond   | 5.4% |
| New Zealand Government<br>6.00% Bond | 4.6  |
|                                      | 3.5  |

|  |     |
|--|-----|
| South Africa Government<br>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<br>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<br>Industries Cl. A | \$3,691,814 |
| IPSCO                               | 3,396,454   |
| Florida Rock<br>Industries          | 2,290,728   |
| Chaparral Steel                     | 2,085,186   |
| Woodward<br>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.

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<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<br>Market Price<br>NAV   | FUND<br>XFUNX   |
| Net Leverage <sup>□</sup>   | 2%              |
| Turnover Rate   | 62%             |
| Average Market Capitalization*  | \$1,290 million |
| Weighted Average P/E Ratio**  | 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>*Geometrically calculated</p> <p>**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<br>Total Return | Standard<br>Deviation | Return<br>Efficiency* |
|-----------------------|--------------------------------|-----------------------|-----------------------|
| <b>FUND<br/>(NAV)</b> | <b>24.15%</b>                  | <b>15.56</b>          | <b>1.55</b>           |
| Russell<br>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 <sup>a,c</sup>                   | 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 <sup>c</sup>                | 68,200  | 540,826   |
| Lewis Group                          | 425,000 | 2,849,445 |
| Rational                             | 14,900  | 3,048,318 |
| Universal Electronics <sup>a,c</sup> | 10,000  | 334,400   |

17,519,292

Household Products/Wares - 0.1%

|       |        |         |
|-------|--------|---------|
| Blyth | 14,700 | 322,518 |
|-------|--------|---------|

Sports and Recreation - 0.6%

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

7,563,125

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

58,434,157

Consumer Services <sup>□</sup>

3.7%

Direct Marketing - 0.1%

|       |         |           |
|-------|---------|-----------|
| Takkt | 115,000 | 1,998,743 |
|-------|---------|-----------|

|  | SHARES  | VALUE      |
|--|---------|------------|
| <b>Leisure and Entertainment - 0.1%</b>        |         |            |
| Shuffle Master <sup>a,c</sup>                  | 15,000  | \$ 179,850 |
| <b>Media and Broadcasting - 0.1%</b>           |         |            |
| Cox Radio Cl. A <sup>a,c</sup>                 | 23,000  | 279,450    |
| Discovery Holding Company Cl. B <sup>a,c</sup> | 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 <sup>a,c</sup>                  | 6,600   | 84,150     |
| CEC Entertainment <sup>a,c</sup>               | 184,300 | 4,784,428  |
| Jamba <sup>a,c</sup>                           | 18,600  | 68,820     |
| Krispy Kreme Doughnuts <sup>a,c</sup>          | 26,400  | 83,424     |
| Morgans Hotel Group <sup>a,c</sup>             | 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 |
|----------------------|--------|---------|

Securities Brokers - 2.2%

|   |         |           |
|---|---------|-----------|
| Broadpoint Securities Group<br><u>a,c</u>     | 200,100 | 236,118   |
| Cowen Group <u>a,c</u>                        | 32,000  | 304,320   |
| Duff & Phelps Cl. A <u>a,c</u>                | 5,000   | 98,400    |
| DundeeWealth                                  | 33,300  | 606,988   |
| E*TRADE Financial <u>a,c</u>                  | 75,000  | 266,250   |
| FBR Capital Markets <u>a,c</u>                | 290,600 | 2,783,948 |
| HQ AB   | 24,000  | 638,989   |
| Interactive Brokers Group Cl.<br>A <u>a,c</u> | 79,400  | 2,566,208 |
| Investment Technology<br>Group <u>a,c</u>     | 30,400  | 1,446,736 |
| KBW <u>a,c</u>                                | 50,000  | 1,279,500 |
| Knight Capital Group Cl. A <u>a,c</u>         | 229,700 | 3,307,680 |
| LaBranche & Co <u>a</u>                       | 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 <u>a,c</u> | 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 <u>a,c</u> | 18,870  | 241,347   |
| Centerline Holding<br>Company      | 59,600  | 454,152   |
| Close Brothers Group               | 15,000  | 281,921   |
| CompuCredit Corporation <u>a,c</u> | 12,200  | 121,756   |
| Encore Capital Group <u>a</u>      | 30,000  | 290,400   |
| FCStone Group <u>a</u>             | 950     | 43,728    |
| MarketAxess Holdings <u>a</u>      | 67,000  | 859,610   |
| MoneyGram International            | 387,300 | 5,952,801 |
| Municipal Mortgage &<br>Equity     | 40,300  | 598,052   |
| Ocwen Financial <u>a,c</u>         | 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      |
| SORL 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>                    |         |              |
| <b>Construction Materials</b>         |         |              |
| <b>(continued)</b>                    |         |              |
| Pretoria Portland Cement Company      | 300,000 | \$ 1,916,049 |
| USG Corporation <sup>a,c</sup>        | 25,000  | 894,750      |
|                                       |         | <hr/>        |
|                                       |         | 18,033,503   |
|                                       |         | <hr/>        |
| <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      |
|                                       |         | <hr/>        |
|                                       |         | 17,289,574   |
|                                       |         | <hr/>        |
| <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>       | 256,000 | 12,316,160   |
| <sup>a,c</sup>                        |         |              |
| 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    |
|  |               | 35,378,200   |

**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   |
|                                 |         | 6,610,606 |

**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     |
|                              |         | 15,919,676 |

**Textiles - 0.1%**

|                    |         |         |
|--------------------|---------|---------|
| Unifi <sup>a</sup> | 145,100 | 351,142 |
|--------------------|---------|---------|

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

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE  
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# 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>           |         | <b>179,920,132</b> |
| <hr/>                                       |         |                    |

|   | SHARES         | VALUE             |
|---|----------------|-------------------|
| <b>Natural Resources 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 <sup>a,c</sup></b>     | <b>157,500</b> | <b>12,883,500</b> |
| 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    |
| PICO Holdings <sup>a,c</sup>                   | 75,200  | 2,528,224  |





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|   | SHARES  | VALUE        |
|---|---------|--------------|
| <b>Natural Resources</b>                                      |         |              |
| <b>(continued)</b>  |         |              |
| Real Estate   |         |              |
| <b>(continued)</b>  |         |              |
| The St. Joe Company <sup>c</sup>                              | 180,100 | \$ 6,395,351 |
| Tejon Ranch Company <sup>a,c</sup>                            | 70,000  | 2,859,500    |
|   |         | 13,618,767   |
|   |         | 117,705,524  |
| <b>Total</b> (Cost<br>\$68,303,929)                           |         |              |
| <br><b>Technology</b> □ <b>23.3%</b>                          |         |              |
| Aerospace and<br>Defense - 0.9%                               |         |              |
| AerCap Holdings <sup>a,c</sup>                                | 45,000  | 939,150      |
| Aerovironment <sup>a</sup>                                    | 2,400   | 58,080       |
| Astronics Corporation <sup>a</sup>                            | 52,400  | 2,227,000    |
| Axsys Technologies <sup>a,c</sup>                             | 10,000  | 366,500      |
| Ducommun <sup>a</sup>   | 117,200 | 4,453,600    |
| Hexcel Corporation <sup>a,c</sup>                             | 47,500  | 1,153,300    |
| Integral Systems  | 39,876  | 927,516      |
|   |         | 10,125,146   |
| <br><b>Components and<br/>Systems - 5.8%</b>                  |         |              |
| Analogic Corporation  | 40,135  | 2,717,942    |
| Belden  | 57,800  | 2,572,100    |
| Benchmark Electronics <sup>a,c</sup>                          | 208,200 | 3,691,386    |
| Checkpoint Systems <sup>a</sup>                               | 56,060  | 1,456,439    |
| China Security &<br>Surveillance<br>Technology <sup>a,c</sup> | 2,000   | 43,680       |
| Dionex Corporation <sup>a</sup>                               | 81,000  | 6,711,660    |
| Electronics for Imaging <sup>a,c</sup>                        | 25,000  | 562,000      |
| Energy Conversion<br>Devices <sup>a,c</sup>                   | 105,500 | 3,550,075    |
| Excel Technology <sup>a,c</sup>                               | 168,500 | 4,566,350    |
| Hutchinson<br>Technology <sup>a,c</sup>                       | 47,500  | 1,250,200    |
| Imation Corporation   | 15,700  | 329,700      |
| InFocus Corporation <sup>a</sup>                              | 228,100 | 415,142      |
| KEMET Corporation <sup>a</sup>                                | 95,600  | 633,828      |

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|   |         |            |
|---|---------|------------|
| Methode Electronics   | 50,000  | 822,000    |
| Nam Tai Electronics   | 16,500  | 185,955    |
| Newport Corporation<br><u>a,c</u>   | 592,200 | 7,574,238  |
| On Track Innovations<br><u>a,c</u>  | 40,000  | 144,000    |
| Perceptron <u>a,c</u>   | 397,400 | 4,200,518  |
| Plexus Corporation <u>a</u>   | 325,700 | 8,552,882  |
| Radiant Systems <u>a,c</u>  | 32,500  | 559,975    |
| Richardson Electronics<br>Smart Modular<br>Technologies (WWH)<br><u>a,c</u> | 13,200  | 134,376    |
| TTM Technologies <u>a,c</u>   | 221,400 | 2,581,524  |
| <b>Technitrol</b>   | 311,200 | 8,894,096  |
| Teradata Corporation<br><u>a,c</u>  | 35,000  | 959,350    |
| Vishay Intertechnology<br><u>a,c</u>  | 186,000 | 2,122,260  |
| Zebra Technologies Cl.<br>A <u>a</u>  | 76,525  | 2,655,418  |
|   |         | <hr/>      |
|   |         | 68,705,161 |
|   |         | <hr/>      |

Distribution - 0.8%

|                                |         |           |
|--------------------------------|---------|-----------|
| Agilysys                       | 165,125 | 2,496,690 |
| Anixter International <u>a</u> | 61,795  | 3,847,975 |
| Tech Data <u>a,c</u>           | 86,500  | 3,262,780 |
|                                |         | <hr/>     |
|                                |         | 9,607,445 |
|                                |         | <hr/>     |

Internet Software and Services - 1.3%

|                                      |         |           |
|--------------------------------------|---------|-----------|
| Arbinet-thexchange <u>a,c</u>        | 87,200  | 527,560   |
| CDCC Corporation Cl. A<br><u>a,c</u> | 12,000  | 58,440    |
| CMGI <u>a,c</u>                      | 173,500 | 2,271,115 |
| CNET Networks <u>a,c</u>             | 155,400 | 1,420,356 |
| CryptoLogic                          | 68,500  | 1,202,175 |

|                                      | SHARES  | VALUE      |
|--------------------------------------|---------|------------|
| CyberSource Corporation <u>a,c</u>   | 10,000  | \$ 177,700 |
| EarthLink <u>a,c</u>                 | 55,200  | 390,264    |
| Internap Network Services <u>a,c</u> | 144,890 | 1,206,934  |
| iPass <u>a,c</u>                     | 268,400 | 1,089,704  |
| j2 Global Communications <u>a,c</u>  | 43,420  | 919,201    |
| Jupitermedia Corporation <u>a,c</u>  | 525,000 | 2,005,500  |
| Kongzhong Corporation ADR <u>a,c</u> | 8,300   | 50,547     |
| Lionbridge Technologies <u>a</u>     | 37,500  | 133,125    |
| Perficient <u>a,c</u>                | 10,000  | 157,400    |
| RealNetworks <u>a,c</u>              | 256,900 | 1,564,521  |
| SkyTerra Communications <u>a</u>     | 62,200  | 422,960    |
| Stamps.com <u>a</u>                  | 12,400  | 151,032    |
| SupportSoft <u>a</u>                 | 220,000 | 979,000    |
| VeriSign <u>a,c</u>                  | 24,800  | 932,728    |

|  |         |            |
|--|---------|------------|
|  |         | 15,660,262 |
| <b>IT Services - 3.2%</b>                  |         |            |
| Alten <sup>a</sup>                         | 64,000  | 2,444,611  |
| answerthink <sup>a</sup>                   | 655,000 | 3,170,200  |
| BearingPoint <sup>a,c</sup>                | 529,100 | 1,497,353  |
| Black Box                                  | 47,000  | 1,699,990  |
| CACI International Cl. A <sup>a,c</sup>    | 10,000  | 447,700    |
| CIBER <sup>a</sup>                         | 10,000  | 61,100     |
| Cogent                                     |         |            |
| Communications Group <sup>a,c</sup>        | 204,200 | 4,841,582  |
| Computer Task Group <sup>a,c</sup>         | 101,100 | 559,083    |
| Gartner <sup>a</sup>                       | 213,000 | 3,740,280  |
| Metavante Technologies <sup>a,c</sup>      | 20,000  | 466,400    |
| Perot Systems Cl. A <sup>a,c</sup>         | 165,100 | 2,228,850  |
| Sapient Corporation <sup>a,c</sup>         | 806,602 | 7,106,164  |
| Syntel                                     | 152,679 | 5,881,195  |
| TriZetto Group (The) <sup>a,c</sup>        | 219,800 | 3,817,926  |
| Yucheng Technologies <sup>a,c</sup>        | 25,900  | 336,441    |
|  |         | 38,298,875 |
| <b>Semiconductors and Equipment - 4.6%</b> |         |            |
| Actions Semiconductor                      |         |            |
| ADR <sup>a,c</sup>                         | 42,200  | 172,176    |
| Advanced Energy                            |         |            |
| Industries <sup>a</sup>                    | 19,500  | 255,060    |
| Applied Micro Circuits <sup>a,c</sup>      | 8,975   | 78,441     |
| Axcelis Technologies <sup>a</sup>          | 135,000 | 621,000    |
| BE Semiconductor                           |         |            |
| Industries <sup>a,c</sup>                  | 58,000  | 313,200    |
| Brooks Automation <sup>a</sup>             | 15,152  | 200,158    |
| CEVA <sup>a</sup>                          | 31,666  | 385,375    |
| Cabot Microelectronics <sup>a</sup>        | 131,200 | 4,711,392  |
| Cognex Corporation                         | 236,200 | 4,759,430  |
| DSP Group <sup>a,c</sup>                   | 115,000 | 1,403,000  |
| <b>Diodes <sup>a</sup></b>                 | 297,450 | 8,944,321  |
| Dolby Laboratories Cl. A <sup>a</sup>      | 173,900 | 8,646,308  |
| Exar Corporation <sup>a,c</sup>            | 232,576 | 1,853,631  |
| Fairchild Semiconductor                    |         |            |
| International <sup>a</sup>                 | 51,200  | 738,816    |
| Himax Technologies                         |         |            |
| ADR  | 121,000 | 516,670    |
| Image Sensing Systems <sup>a,c</sup>       | 8,310   | 144,428    |
| Integrated Device                          |         |            |
| Technology <sup>a,c</sup>                  | 23,900  | 270,309    |
| International Rectifier <sup>a,c</sup>     | 120,000 | 4,076,400  |
| Intevac <sup>a,c</sup>                     | 57,450  | 835,323    |
| Jazz Technologies                          |         |            |
| (Units) <sup>a</sup>                       | 805,000 | 1,408,750  |
| Kulicke & Soffa                            |         |            |
| Industries <sup>a</sup>                    | 105,800 | 725,788    |

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|                                   |        |         |
|-----------------------------------|--------|---------|
| Maxwell Technologies <sup>a</sup> | 21,500 | 177,805 |
| Micrel                            | 7,600  | 64,220  |
| Novellus Systems <sup>a,c</sup>   | 12,000 | 330,840 |
| ON Semiconductor <sup>a,c</sup>   | 19,200 | 170,496 |

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

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# Royce Value Trust

## Schedule of Investments

|  | SHARES  | VALUE        |
|--|---------|--------------|
| <b>Technology</b>                          |         |              |
| <b>(continued)</b>                         |         |              |
| Semiconductors and Equipment (continued)   |         |              |
| Pericom                                    |         |              |
| Semiconductor <sup>a,c</sup>               | 58,000  | \$ 1,084,600 |
| Power Integrations <sup>a,c</sup>          | 49,000  | 1,687,070    |
| Sanmina-SCI Corporation <sup>a,c</sup>     | 200,000 | 364,000      |
| Semitool <sup>a</sup>                      | 50,000  | 434,000      |
| Staktek Holdings <sup>a</sup>              | 184,700 | 356,471      |
| Tessera Technologies <sup>a,c</sup>        | 7,900   | 328,640      |
| Trident Microsystems <sup>a,c</sup>        | 17,300  | 113,488      |
| TriQuint Semiconductor <sup>a,c</sup>      | 27,900  | 184,977      |
| Vaisala Cl. A                              | 90,000  | 4,676,314    |
| Veeco Instruments <sup>a,c</sup>           | 65,000  | 1,085,500    |
| Vimicro International ADR <sup>a,c</sup>   | 270,000 | 1,015,200    |
| Virage Logic <sup>a</sup>                  | 100,000 | 835,000      |
|  |         | 53,968,597   |
| Software - 4.2%                            |         |              |
| ACI Worldwide <sup>a</sup>                 | 233,150 | 4,439,176    |
| ANSYS <sup>a,c</sup>                       | 100,000 | 4,146,000    |
| <b>Advent Software</b> <sup>a,c</sup>      | 244,300 | 13,216,630   |
| Aspen Technology <sup>a</sup>              | 27,100  | 439,562      |
| Avid Technology <sup>a,c</sup>             | 71,000  | 2,012,140    |
| BEA Systems <sup>a,c</sup>                 | 65,610  | 1,035,326    |
| Borland Software <sup>a,c</sup>            | 280,000 | 842,800      |
| Datasul                                    | 150,000 | 1,586,811    |
| Epicor Software <sup>a,c</sup>             | 79,900  | 941,222      |
| JDA Software Group <sup>a,c</sup>          | 99,900  | 2,043,954    |
| MSC.Software <sup>a,c</sup>                | 50,000  | 649,500      |
| ManTech International Cl. A <sup>a,c</sup> | 119,400 | 5,232,108    |
| Net 1 UEPS Technologies <sup>a,c</sup>     | 50,000  | 1,468,000    |
| Pegasystems                                | 25,000  | 298,250      |
| PLATO Learning <sup>a</sup>                | 149,642 | 594,079      |
| Progress Software <sup>a,c</sup>           | 30,500  | 1,027,240    |
| Renaissance Learning                       | 15,000  | 210,000      |
| SPSS <sup>a</sup>                          | 179,600 | 6,449,436    |
| Sybase <sup>a,c</sup>                      | 82,600  | 2,155,034    |
| THQ <sup>a,c</sup>                         | 25,800  | 727,302      |
| Verint Systems <sup>a,c</sup>              | 40,000  | 782,000      |

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50,296,570

Telecommunications -  
2.5%

|                                  |           |           |
|----------------------------------|-----------|-----------|
| ADTRAN                           | 65,000    | 1,389,700 |
| <b>Adaptec</b> <sup>a,c</sup>    | 2,584,100 | 8,734,258 |
| Arris Group <sup>a,c</sup>       | 27,600    | 275,448   |
| Catapult                         |           |           |
| Communications <sup>a</sup>      | 87,100    | 657,605   |
| China GrenTech ADR               |           |           |
| <sup>a,c</sup>                   | 3,700     | 32,708    |
| Comtech Group <sup>a,c</sup>     | 3,500     | 56,385    |
| Covad                            |           |           |
| Communications                   |           |           |
| Group <sup>a,c</sup>             | 35,000    | 30,100    |
| Foundry Networks <sup>a,c</sup>  | 298,600   | 5,231,472 |
| Globalstar <sup>a,c</sup>        | 50,000    | 400,000   |
| Globecomm Systems <sup>a</sup>   | 233,700   | 2,734,290 |
| Golden Telecom <sup>a,c</sup>    | 40,000    | 4,038,000 |
| IDT Corporation                  | 108,400   | 856,360   |
| IDT Corporation Cl. B            | 95,000    | 802,750   |
| Level 3                          |           |           |
| Communications <sup>a,c</sup>    | 401,341   | 1,220,077 |
| NMS Communications               |           |           |
| <sup>a,c</sup>                   | 380,000   | 615,600   |
| Novatel Wireless <sup>a,c</sup>  | 4,300     | 69,660    |
| Oplink                           |           |           |
| Communications <sup>a,c</sup>    | 3,500     | 53,725    |
| Sycamore Networks <sup>a,c</sup> | 191,000   | 733,440   |
| Tekelec <sup>a,c</sup>           | 8,200     | 102,500   |

SHARES

VALUE

|                                   |           |                    |
|-----------------------------------|-----------|--------------------|
| Tollgrade                         |           |                    |
| Communications                    |           |                    |
| <sup>a,c</sup>                    | 20,000    | \$ 160,400         |
| UTStarcom <sup>a,c</sup>          | 50,000    | 137,500            |
| Zhone                             |           |                    |
| Technologies <sup>a,c</sup>       | 850,000   | 994,500            |
|                                   |           | <u>29,326,478</u>  |
| <b>Total</b> (Cost                |           |                    |
| \$215,679,104)                    |           | <u>275,988,534</u> |
| <b>Utilities</b> $\square$ 0.2%   |           |                    |
| CH Energy Group                   | 44,500    | 1,982,030          |
| Southern Union                    | 11,576    | 339,871            |
|                                   |           | <u>2,321,901</u>   |
| <b>Total</b> (Cost                |           |                    |
| \$2,127,413)                      |           | <u>2,321,901</u>   |
| <b>Miscellaneous</b> <sup>e</sup> |           |                    |
| $\square$ 3.7%                    |           |                    |
| <b>Total</b> (Cost                |           |                    |
| \$45,763,150)                     | 5,071,856 | <u>43,453,014</u>  |

**TOTAL COMMON STOCKS**

(Cost \$946,682,909) 1,343,649,225

---

**PREFERRED STOCKS 0.2%**

|                      |        |           |
|----------------------|--------|-----------|
| Duratex              | 45,300 | 992,274   |
| Seneca Foods         |        |           |
| Conv. <sup>a,d</sup> | 85,000 | 1,816,875 |

---

**TOTAL PREFERRED STOCKS**

(Cost \$2,098,530) 2,809,149

---

**PRINCIPAL AMOUNT**

**CORPORATE BOND 0.1%**

|   |            |         |
|---|------------|---------|
| Dixie Group 7.00%<br>Conv. Sub. Deb.<br>due 5/15/12 | \$ 352,000 | 330,880 |
|---|------------|---------|

---

(Cost \$298,162) 330,880

---

**REPURCHASE AGREEMENTS 8.0%**

State Street Bank & Trust Company, 4.00% dated 12/31/07, due 1/2/08, maturity value \$24,842,519 (collateralized by obligations of various U.S. Government Agencies, valued at \$27,965,000) (Cost \$24,837,000) 24,837,000

---

Lehman Brothers (Tri-Party), 4.125% dated 12/31/07, due 1/2/08, maturity value \$70,016,042 (collateralized by obligations of various U.S. Government

|   |            |
|---|------------|
| Agencies, valued<br>at \$71,420,955<br>(Cost<br>\$70,000,000) | 70,000,000 |
|---|------------|

|  |            |
|--|------------|
| <b>TOTAL<br/>REPURCHASE<br/>AGREEMENTS</b><br>(Cost<br>\$94,837,000) | 94,837,000 |
|--|------------|

|  |         |         |
|--|---------|---------|
| <b>COLLATERAL<br/>RECEIVED FOR<br/>SECURITIES<br/>LOANED □ 13.2%</b> |         |         |
| Fannie Mae-Notes<br>5.20%  |         |         |
| due 9/18/12  | 2,317   | 2,352   |
| Federal National<br>Mortgage<br>Association-Bonds<br>3.75%-5.50%     |         |         |
| due<br>7/25/08-2/16/12   | 84,536  | 85,955  |
| Freddie Mac-Notes<br>6.01%   |         |         |
| due 4/11/17  | 141,291 | 143,199 |



December 31, 2007

|  | PRINCIPAL<br>AMOUNT | VALUE                |
|--|---------------------|----------------------|
| <b>COLLATERAL<br/>RECEIVED FOR<br/>SECURITIES<br/>LOANED<br/>(continued)</b>   |                     |                      |
| U.S. Treasury<br>Bonds<br>2.00%-12.00%<br>due<br>8/15/13-4/15/29   | \$ 47,496           | \$ 47,938            |
| U.S. Treasury<br>Notes<br>0.875%-3.625%<br>due<br>11/15/08-1/15/17   | 361,382             | 364,001              |
| U.S. Treasury<br>Strip-Principal<br>due<br>11/15/18-11/15/21   | 7,082               | 7,082                |
| Money Market<br>Funds<br>State Street<br>Navigator<br>Securities Lending<br>Prime Portfolio (7<br>day yield-4.884%)<br>(Cost<br>\$156,754,717) |                     | 156,104,190          |
|  |                     | <u>156,754,717</u>   |
| <b>TOTAL<br/>INVESTMENTS □<br/>134.9%</b><br>(Cost<br>\$1,200,671,318)   |                     | 1,598,380,971        |
| <b>LIABILITIES LESS<br/>CASH<br/>AND OTHER<br/>ASSETS □<br/>(16.3)%</b>  |                     | (193,711,646)        |
| <b>PREFERRED<br/>STOCK □ (18.6)%</b>   |                     | <u>(220,000,000)</u> |
| <b>NET ASSETS<br/>APPLICABLE TO</b>  |                     |                      |

**COMMON  
STOCKHOLDERS**

□ **100.0%**

**\$ 1,184,669,325**

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- 
- a Non-income producing.
  - b At December 31, 2007, the Fund owned 5% or more of the Company's outstanding voting securities thereby making the Company an Affiliated Company as that term is defined in the Investment Company Act of 1940. See notes to financial statements.
  - c All or a portion of these securities were on loan at December 31, 2007. Total market value of loaned securities at December 31, 2007 was \$151,159,025.
  - d Securities for which market quotations are no longer readily available represent 0.2% of net assets. These securities have been valued at their fair value under procedures established by the Fund's Board of Directors.
  - e Includes securities first acquired in 2007 and less than 1% of net assets applicable to Common Stockholders.
  - New additions in 2007.

**Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2007 market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$1,204,669,842. At December 31, 2007, net unrealized appreciation for all securities was \$393,711,129, consisting of aggregate gross unrealized appreciation of \$482,509,950 and aggregate gross unrealized depreciation of \$88,798,821. The primary differences in book and tax basis cost are the timing of the recognition of losses on securities sold and mark-to-market of Passive Foreign Investment Companies.

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

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Stockholders | 27

## Royce Value Trust

December 31, 2007

**Statement of Assets and Liabilities****ASSETS:**

|   |                  |
|---|------------------|
| Investments at value (including collateral on loaned securities)* |                  |
| Non-Affiliated Companies (cost \$1,095,966,865)                   | \$ 1,493,676,681 |
| Affiliated Companies (cost \$9,867,453)                           | 9,867,290        |

|   |               |
|---|---------------|
| Total investments at value                | 1,503,543,971 |
| Repurchase agreements (at cost and value) | 94,837,000    |
| Cash and foreign currency                 | 65,126        |
| Receivable for investments sold           | 4,525,804     |
| Receivable for dividends and interest     | 1,159,259     |
| Prepaid expenses and other assets         | 219,267       |

|              |               |
|--------------|---------------|
| Total Assets | 1,604,350,427 |
|--------------|---------------|

**LIABILITIES:**

|  |             |
|--|-------------|
| Payable for collateral on loaned securities      | 156,754,717 |
| Payable for investments purchased                | 40,867,310  |
| Payable for investment advisory fee              | 1,501,323   |
| Preferred dividends accrued but not yet declared | 288,445     |
| Accrued expenses                                 | 269,307     |

|                   |             |
|-------------------|-------------|
| Total Liabilities | 199,681,102 |
|-------------------|-------------|

**PREFERRED STOCK:**

|   |             |
|---|-------------|
| 5.90% Cumulative Preferred Stock - \$0.001 par value, \$25 liquidation value per share;<br>8,800,000 shares outstanding | 220,000,000 |
|---|-------------|

|                       |             |
|-----------------------|-------------|
| Total Preferred Stock | 220,000,000 |
|-----------------------|-------------|

|   |                         |
|---|-------------------------|
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> | <b>\$ 1,184,669,325</b> |
|---|-------------------------|

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

|  |                |
|--|----------------|
| Common Stock paid-in capital - \$0.001 par value per share; 60,008,412 shares outstanding<br>(150,000,000 shares authorized) | \$ 770,137,285 |
| Undistributed net investment income (loss)   | (156,056)      |
| Accumulated net realized gain (loss) on investments and foreign currency   | 17,254,738     |
| Net unrealized appreciation (depreciation) on investments and foreign currency   | 397,721,807    |
| Preferred dividends accrued but not yet declared   | (288,449)      |

|  |                  |
|--|------------------|
| Net Assets applicable to Common Stockholders (net asset value per share - \$19.74) | \$ 1,184,669,325 |
|--|------------------|

|  |                  |
|--|------------------|
| *Investments at identified cost (including \$156,754,717 of collateral on loaned securities) | \$ 1,105,834,318 |
| Market value of loaned securities  | 151,159,025      |

## Royce Value Trust

Year Ended December 31, 2007

**Statement of Operations****INVESTMENT INCOME:**

Income:

Dividends\*

|                          |               |
|--------------------------|---------------|
| Non-Affiliated Companies | \$ 12,758,425 |
| Affiliated Companies     | 51,750        |
| Interest                 | 8,760,817     |
| Securities lending       | 652,471       |

|              |            |
|--------------|------------|
| Total income | 22,223,463 |
|--------------|------------|

Expenses:

|   |            |
|---|------------|
| Investment advisory fees                      | 15,881,749 |
| Stockholder reports                           | 381,343    |
| Custody and transfer agent fees               | 220,021    |
| Directors' fees                               | 119,574    |
| Professional fees                             | 110,879    |
| Administrative and office facilities expenses | 103,714    |
| Other expenses                                | 172,860    |

|                              |            |
|------------------------------|------------|
| Total expenses               | 16,990,140 |
| Compensating balance credits | (64,195)   |

|              |            |
|--------------|------------|
| Net expenses | 16,925,945 |
|--------------|------------|

|                              |           |
|------------------------------|-----------|
| Net investment income (loss) | 5,297,518 |
|------------------------------|-----------|

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

|  |              |
|--|--------------|
| Net realized gain (loss) on investments and foreign currency                             |              |
| Non-Affiliated Companies   | 116,339,798  |
| Affiliated Companies   | 5,343,533    |
| Net change in unrealized appreciation (depreciation) on investments and foreign currency | (56,217,996) |

|   |            |
|---|------------|
| Net realized and unrealized gain (loss) on investments and foreign currency | 65,465,335 |
|---|------------|

**NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS**

70,762,853

**DISTRIBUTIONS TO PREFERRED STOCKHOLDERS**

(12,980,000)

**NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS**

\$ 57,782,853

\* Net of foreign withholding tax of \$266,251.

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.**2007 Annual Report to  
Stockholders | 29

# Royce Value Trust

## Statement of Changes in Net Assets

|   | Year ended<br>12/31/07 | Year ended<br>12/31/06 |
|---|------------------------|------------------------|
| <b>INVESTMENT OPERATIONS:</b>   |                        |                        |
| Net investment income (loss)  | \$ 5,297,518           | \$ 6,996,692           |
| Net realized gain (loss) on investments and foreign currency  | 121,683,331            | 110,169,442            |
| Net change in unrealized appreciation (depreciation) on investments and foreign currency                                    | (56,217,996)           | 93,033,099             |
| Net increase (decrease) in net assets resulting from investment operations  | 70,762,853             | 210,199,233            |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                        |                        |
| Net investment income   | (613,954)              | (1,020,228)            |
| Net realized gain on investments and foreign currency   | (12,366,046)           | (11,959,772)           |
| Total distributions to Preferred Stockholders   | (12,980,000)           | (12,980,000)           |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>         |                        |                        |
|   | 57,782,853             | 197,219,233            |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                        |                        |
| Net investment income   | (5,095,420)            | (7,788,658)            |
| Net realized gain on investments and foreign currency   | (102,630,144)          | (91,303,684)           |
| Total distributions to Common Stockholders  | (107,725,564)          | (99,092,342)           |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                        |                        |
| Reinvestment of distributions to Common Stockholders  | 54,184,473             | 50,180,586             |
| Total capital stock transactions  | 54,184,473             | 50,180,586             |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>  |                        |                        |
|   | 4,241,762              | 148,307,477            |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>  |                        |                        |
| Beginning of year   | 1,180,427,563          | 1,032,120,086          |
| End of year (including undistributed net investment income (loss) of \$(156,056) at 12/31/07 and \$(1,605,284) at 12/31/06) | \$ 1,184,669,325       | \$ 1,180,427,563       |

## Royce Value Trust

### Financial Highlights

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

|   | Years ended December 31, |         |         |         |         |
|---|--------------------------|---------|---------|---------|---------|
|   | 2007                     | 2006    | 2005    | 2004    | 2003    |
| <b>NET ASSET VALUE, BEGINNING OF PERIOD</b>   | \$20.62                  | \$18.87 | \$18.95 | \$17.03 | \$13.22 |
| <b>INVESTMENT OPERATIONS:</b>   |                          |         |         |         |         |
| Net investment income (loss)  | 0.09                     | 0.13    | 0.01    | (0.08)  | (0.05)  |
| Net realized and unrealized gain (loss) on investments and foreign currency   | 1.13                     | 3.63    | 1.75    | 3.81    | 5.64    |
| Total investment operations   | 1.22                     | 3.76    | 1.76    | 3.73    | 5.59    |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                          |         |         |         |         |
| Net investment income   | (0.01)                   | (0.02)  | □       | □       | □       |
| Net realized gain on investments and foreign currency   | (0.21)                   | (0.21)  | (0.24)  | (0.26)  | (0.26)  |
| Total distributions to Preferred Stockholders   | (0.22)                   | (0.23)  | (0.24)  | (0.26)  | (0.26)  |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | 1.00                     | 3.53    | 1.52    | 3.47    | 5.33    |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                          |         |         |         |         |
| Net investment income   | (0.09)                   | (0.14)  | □       | □       | □       |
| Net realized gain on investments and foreign currency   | (1.76)                   | (1.64)  | (1.61)  | (1.55)  | (1.30)  |
| Total distributions to Common Stockholders  | (1.85)                   | (1.78)  | (1.61)  | (1.55)  | (1.30)  |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                          |         |         |         |         |
| Effect of reinvestment of distributions by Common   | (0.03)                   | (0.00)  | 0.01    | 0.00    | (0.00)  |

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|  |             |             |             |           |           |
|--|-------------|-------------|-------------|-----------|-----------|
| Stockholders   |             |             |             |           |           |
| Effect of rights offering and Preferred Stock offering                       | □           | □           | □           | □         | (0.22)    |
| Total capital stock transactions   | (0.03)      | (0.00)      | 0.01        | 0.00      | (0.22)    |
| <b>NET ASSET VALUE, END OF PERIOD</b>  | \$19.74     | \$20.62     | \$18.87     | \$18.95   | \$17.03   |
| <b>MARKET VALUE, END OF PERIOD</b>   | \$18.58     | \$22.21     | \$20.08     | \$20.44   | \$17.21   |
| <b>TOTAL RETURN (a):</b>   |             |             |             |           |           |
| Market Value   | (8.21)%     | 20.96%      | 6.95%       | 29.60%    | 41.96%    |
| Net Asset Value  | 5.04%       | 19.50%      | 8.41%       | 21.42%    | 40.80%    |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b> |             |             |             |           |           |
| Total expenses (b,c)   | 1.38%       | 1.29%       | 1.49%       | 1.51%     | 1.49%     |
| Management fee expense (d)   | 1.29%       | 1.20%       | 1.37%       | 1.39%     | 1.34%     |
| Other operating expenses   | 0.09%       | 0.09%       | 0.12%       | 0.12%     | 0.15%     |
| Net investment income (loss)   | 0.43%       | 0.62%       | 0.03%       | (0.50)%   | (0.36)%   |
| <b>SUPPLEMENTAL DATA:</b>  |             |             |             |           |           |
| Net Assets Applicable to Common Stockholders, End of Period (in thousands)   | \$1,184,669 | \$1,180,428 | \$1,032,120 | \$993,304 | \$850,773 |
| Liquidation Value of Preferred Stock, End of Period (in thousands)           | \$220,000   | \$220,000   | \$220,000   | \$220,000 | \$220,000 |
| Portfolio Turnover Rate  | 26%         | 21%         | 31%         | 30%       | 23%       |
| <b>PREFERRED STOCK:</b>  |             |             |             |           |           |
| Total shares outstanding   | 8,800,000   | 8,800,000   | 8,800,000   | 8,800,000 | 8,800,000 |
| Asset coverage per share   | \$159.62    | \$159.14    | \$142.29    | \$137.88  | \$121.68  |
| Liquidation preference per share   | \$25.00     | \$25.00     | \$25.00     | \$25.00   | \$25.00   |
| Average market value per share (e):  |             |             |             |           |           |
| 5.90% Cumulative   | \$23.68     | \$23.95     | \$24.75     | \$24.50   | \$25.04   |
| 7.80% Cumulative   | □           | □           | □           | □         | \$25.87   |
| 7.30% Tax-Advantaged Cumulative  | □           | □           | □           | □         | \$25.53   |

- (a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.
- (b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.17%, 1.08%, 1.22%, 1.21%, and 1.19% for the years ended December 31, 2007, 2006, 2005, 2004 and 2003, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders: before waiver of fees by the investment adviser would have been 1.62% for the year ended December 31, 2003; before waiver of fees and earnings credits would have been 1.38%, 1.29%, 1.49%, 1.51% and 1.62% for the years ended December 31, 2007, 2006, 2005, 2004 and 2003, respectively.
- (d) The management fee is calculated based on average net assets over a rolling 60-month basis, while the above ratios of management fee expenses are based on the average net assets applicable to Common Stockholders over a 12-month basis.
- (e) The average of month-end market values during the period that the Preferred Stock was outstanding.

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



# Royce Value Trust

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## Notes to Financial Statements

### Summary of Significant Accounting Policies:

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

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

### Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange, and securities traded on Nasdaq's Electronic Bulletin Board, are valued at their last reported sales price or Nasdaq official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their highest bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. In addition, if, between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. The Fund uses an independent pricing service to provide fair value estimates for relevant non-U.S. equity securities on days when the U.S. market volatility exceeds a certain threshold. This pricing service uses proprietary correlations it has developed between the movement of prices of non-U.S. equity securities and indices of U.S.-traded securities, futures contracts and other indications to estimate the fair value of relevant non-U.S. securities. When fair value pricing is employed, the price of securities used by the Fund may differ from quoted or published prices for the same security. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services. Investments in money market funds are valued at net asset value per share.

### **Foreign Currency:**

The Fund values its non-U.S. securities in U.S. dollars daily at the prevailing foreign currency exchange rates as quoted by a major bank. The effects of changes in foreign exchange rates on investments and other assets and liabilities are included with net realized and unrealized gains and losses on investments.

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, expiration of currency forward contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books, and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains

and losses arise from changes in the value of assets and liabilities, including investments in securities at the end of the reporting period, as a result of changes in foreign currency exchange rates.

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

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on an accrual basis. Premium and discounts on debt securities are amortized using the effective yield to maturity method. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

### **Expenses:**

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

### **Compensating Balance Credits:**

The Fund has an arrangement with its custodian bank, whereby a portion of the custodian's fee is paid indirectly by credits earned on the Fund's cash on deposit with the bank. This deposit arrangement is an alternative to purchasing overnight investments. Conversely, the Fund pays interest to the custodian on any cash overdrafts, to the extent they are not offset by credits earned on positive cash balances.

### **Taxes:**

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption [Income Tax Information](#).

**Distributions:**

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

## Royce Value Trust

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### Notes to Financial Statements (continued)

relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

#### **Repurchase Agreements:**

The Fund may enter into repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of the counter-party, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

#### **Securities Lending:**

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

#### **Recent Accounting Pronouncements:**

The Fund adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) on June 29, 2007. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. There was no material impact to the financial statements or disclosures thereto as a result of the adoption of this pronouncement.

FASB Statement of Financial Accounting Standard No. 157, "Fair Value Measurement" (FAS 157), provides enhanced guidance for using fair value to measure assets and liabilities. The standard requires companies to provide expanded information about the assets and liabilities measured at fair value and the potential effect

of these fair valuations on an entity's financial performance. Adoption of FAS 157 is required for fiscal years beginning after November 15, 2007. The standard is not expected to materially impact the amounts reported in the Fund's financial statements, however, additional disclosures will be required in subsequent reports.

**Capital Stock:**

The Fund issued 2,749,591 and 2,548,023 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2007 and 2006, respectively.

At December 31, 2007, 8,800,000 shares of 5.90% Cumulative Preferred Stock were outstanding. Commencing October 9, 2008 and thereafter, the Fund, at its option, may redeem the Cumulative Preferred Stock, in whole or in part, at the redemption price. The Cumulative Preferred Stock is classified outside of permanent equity (net assets

applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

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

**Investment Advisory Agreement:**

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

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the Fund's month-end net assets applicable to Common Stockholders, plus the liquidation value of Preferred

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

Notwithstanding the foregoing, Royce is not entitled to receive any fee for any month when the investment performance of the Fund for the rolling 36-month period ending with such month is negative. In the event that the Fund's investment performance for such a performance

## Royce Value Trust

### Notes to Financial Statements (continued)

period is less than zero, Royce will not be required to refund to the Fund any fee earned in respect of any prior performance period.

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

For the twelve rolling 60-month periods ended December 2007, the investment performance of the Fund exceeded the investment performance of the S&P 600 by 4% to 26%. Accordingly, the investment advisory fee consisted of a Basic Fee of \$11,381,315 and an upward adjustment of \$4,500,434 for performance of the Fund above that of the S&P 600. For the year ended December 31, 2007, the Fund accrued and paid Royce advisory fees totaling \$15,881,749.

#### Distributions to

#### Stockholders:

The tax character of distributions paid to stockholders during 2007 and 2006 was as follows:

| Distributions paid from: | 2007                  | 2006                  |
|--------------------------|-----------------------|-----------------------|
| Ordinary income          | \$ 18,081,695         | \$ 24,577,545         |
| Long-term capital gain   | 102,623,869           | 87,494,797            |
|                          | <u>\$ 120,705,564</u> | <u>\$ 112,072,342</u> |

As of December 31, 2007, the tax basis components of distributable earnings included in stockholders' equity were as follows:

|                                      |                       |
|--------------------------------------|-----------------------|
| Undistributed net investment income  | \$ 2,699,239          |
| Undistributed long-term capital gain | 18,405,497            |
| Unrealized appreciation              | 393,723,283           |
| Post October currency loss*          | (7,530)               |
| Accrued preferred distributions      | (288,449)             |
|                                      | <u>\$ 414,532,040</u> |

\*Under current tax law, capital and currency losses realized after October 31, and prior to the Fund's fiscal year end, may be deferred as occurring on the first day of the following year.

The difference between book basis and tax basis unrealized appreciation is attributable primarily to the tax deferral on wash sales and the unrealized gains on investments in Passive Foreign Investment Companies.

For financial reporting purposes, capital accounts and distributions to stockholders are adjusted to reflect the

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tax character of permanent book / tax differences. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences and different characterization of distributions made by the Fund. For the year ended December 31, 2007, the Fund recorded the following permanent reclassifications, which relate primarily to the current net operating losses. Results of operations and net assets were not affected by these reclassifications.

| Undistributed<br>Net<br>Investment<br>Income | Accumulated<br>Net Realized<br>Gain (Loss) | Paid-in<br>Capital |
|--|--|--------------------|
| \$1,861,084                                  | \$(2,778,414)                              | \$917,330          |

**Purchases and Sales of Investment Securities:**

For the year ended December 31, 2007, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$342,412,126 and \$336,738,969, respectively.

**Transactions in Shares of Affiliated Companies:**

An "Affiliated Company," as defined in the Investment Company Act of 1940, is a company in which a Fund owns 5% or more of the company's outstanding voting securities at any time during the period. The Fund effected the following transactions in shares of such companies during the year ended December 31, 2007:

| Affiliated<br>Company    | Shares<br>12/31/06 | Market<br>Value<br>12/31/06 | Cost of<br>Purchases | Cost of<br>Sales | Realized<br>Gain<br>(Loss) | Dividend<br>Income | Shares<br>12/31/07 | Market<br>Value<br>12/31/07 |
|--------------------------|--------------------|-----------------------------|----------------------|------------------|----------------------------|--------------------|--------------------|-----------------------------|
| Delta Apparel            | 0                  | 0                           | \$4,129,137          | 0                | 0                          | 0                  | 580,760            | \$ 4,152,434                |
| Highbury<br>Financial*   | 0                  | 0                           | 2,579,878            | \$1,098,137      | \$ 26,215                  | 0                  |                    |                             |
| Synalloy<br>Corporation* | 345,000            | \$ 6,361,800                | 0                    | 761,702          | 5,317,318                  | \$ 51,750          |                    |                             |
| Timberland<br>Bancorp    | 0                  | 0                           | 5,738,316            | 0                | 0                          | 0                  | 469,200            | 5,714,856                   |
|                          |                    | \$ 6,361,800                |                      |                  | \$5,343,533                | \$ 51,750          |                    | \$ 9,867,290                |

\* Not an Affiliated Company at December 31, 2007.



## Royce Value Trust

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### Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying statement of assets and liabilities of Royce Value Trust, Inc. ("Fund") including the schedule of investments, as of December 31, 2007, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2007 by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Royce Value Trust, Inc. as of December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
February 22, 2008**

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## Royce Micro-Cap Trust

### Schedule of Investments

|  | SHARES  | VALUE      |
|--|---------|------------|
| <b>COMMON STOCKS</b> □ 111.9%                    |         |            |
| <b>Consumer Products</b> □ 5.5%                  |         |            |
| Apparel, Shoes and Accessories<br>- 2.0%         |         |            |
| ELiA*s a,c                                       | 42,900  | \$ 116,259 |
| Hartmarx Corporation a                           | 70,000  | 238,700    |
| Kleinert's a,d                                   | 14,200  | 0          |
| Lazare Kaplan International a                    | 151,700 | 1,233,321  |
| Steven Madden a                                  | 21,750  | 435,000    |
| Mothers Work a,c                                 | 17,400  | 302,760    |
| Movie Star a                                     | 192,100 | 309,281    |
| True Religion Apparel a,c                        | 14,400  | 307,440    |
| <b>Weyco Group</b>                               | 120,000 | 3,300,000  |
| Yamato International                             | 40,000  | 275,768    |
|  |         | 6,518,529  |
| <b>Food/Beverage/Tobacco - 0.9%</b>              |         |            |
| <b>Green Mountain Coffee<br/>Roasters</b> a,c    | 76,800  | 3,125,760  |
|  |         | 3,125,760  |
| <b>Home Furnishing and<br/>Appliances - 1.6%</b> |         |            |
| American Technology a,c                          | 50,000  | 126,500    |
| Cobra Electronics                                | 10,000  | 47,800     |
| DTS a,c  | 7,000   | 178,990    |
| Flexsteel Industries                             | 213,500 | 2,562,000  |
| Lifetime Brands                                  | 42,054  | 545,861    |
| Natuzzi ADR a                                    | 387,800 | 1,822,660  |
| U.S. Home Systems a,c                            | 10,000  | 53,500     |
|  |         | 5,337,311  |
| <b>Household Products/Wares -<br/>0.3%</b>       |         |            |
| A.T. Cross Company Cl. A a,c                     | 100,000 | 998,000    |
|  |         | 998,000    |
| <b>Sports and Recreation - 0.6%</b>              |         |            |
| Cybox International a,c                          | 51,600  | 235,296    |
| Monaco Coach                                     | 142,400 | 1,264,512  |
| Sturm, Ruger & Company a                         | 45,000  | 372,600    |
|  |         | 1,872,408  |
| <b>Other Consumer Products -<br/>0.1%</b>        |         |            |
| NexCen Brands a,c                                | 105,300 | 509,652    |
|  |         | 509,652    |
| <b>Total</b> (Cost \$13,301,888)                 |         | 18,361,660 |

**Consumer Services** □ **4.3%**

## Direct Marketing - 0.1%

|                               |        |        |
|-------------------------------|--------|--------|
| Dover Saddlery <sup>a,c</sup> | 10,200 | 42,534 |
|-------------------------------|--------|--------|

## Leisure and Entertainment - 0.3%

|  |        |         |
|--|--------|---------|
| Ambassadors Group                      | 15,000 | 274,650 |
| Ambassadors International <sup>c</sup> | 6,100  | 88,938  |
| FortuNet <sup>a,c</sup>                | 5,000  | 40,200  |
| IMAX Corporation <sup>a</sup>          | 25,000 | 170,500 |
| Premier Exhibitions <sup>a,c</sup>     | 28,200 | 308,508 |
| TiVo <sup>a,c</sup>                    | 20,000 | 166,800 |

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1,049,596

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## Media and Broadcasting - 0.3%

## ADDvantage Technologies

|                                  |         |         |
|----------------------------------|---------|---------|
| Group <sup>a,c</sup>             | 42,700  | 263,459 |
| Ballantyne of Omaha <sup>a</sup> | 100,000 | 582,000 |

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845,459

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## Online Commerce - 0.3%

|                        |        |         |
|------------------------|--------|---------|
| FTD Group              | 55,000 | 708,400 |
| PC Mall <sup>a,c</sup> | 26,000 | 242,060 |

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950,460

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|  | SHARES  | VALUE            |
|--|---------|------------------|
| <b>Restaurants and Lodgings - 0.1%</b> |         |                  |
| Benihana Cl. A <sup>a,c</sup>          | 800 \$  | 10,200           |
| Cosi <sup>a,c</sup>                    | 111,700 | 250,208          |
| Jamba <sup>a,c</sup>                   | 44,300  | 163,910          |
|  |         | <hr/> 424,318    |
| <b>Retail Stores - 3.1%</b>            |         |                  |
| A.C. Moore Arts & Crafts <sup>a</sup>  | 40,000  | 550,000          |
| America's Car-Mart <sup>a,c</sup>      | 200,000 | 2,510,000        |
| Buckle (The)                           | 35,250  | 1,163,250        |
| Build-A-Bear Workshop <sup>a</sup>     | 49,300  | 687,735          |
| Cache <sup>a</sup>                     | 19,200  | 179,328          |
| Casual Male Retail Group <sup>a</sup>  | 28,800  | 149,184          |
| Cato Corporation Cl. A                 | 68,100  | 1,066,446        |
| Charlotte Russe Holding <sup>a</sup>   | 28,800  | 465,120          |
| Hot Topic <sup>a,c</sup>               | 35,300  | 205,446          |
| New York & Company <sup>a,c</sup>      | 76,700  | 489,346          |
| Stein Mart                             | 198,900 | 942,786          |
| West Marine <sup>a,c</sup>             | 142,000 | 1,275,160        |
| Wet Seal (The) Cl. A <sup>a,c</sup>    | 301,000 | 701,330          |
|  |         | <hr/> 10,385,131 |
| <b>Other Consumer Services - 0.1%</b>  |         |                  |
| Knot (The) <sup>a,c</sup>              | 25,200  | 401,688          |

|   |         |            |
|---|---------|------------|
| <b>Total</b> (Cost \$14,490,585)                      |         | 14,099,186 |
| <hr/>   |         |            |
| <b>Diversified Investment Companies</b> □ <b>1.8%</b> |         |            |
| Closed-End Funds - 1.8%                               |         |            |
| <b>ASA</b>  | 48,900  | 3,675,813  |
| Central Fund of Canada Cl. A                          | 207,000 | 2,243,880  |
| <hr/>   |         |            |
| <b>Total</b> (Cost \$2,675,077)                       |         | 5,919,693  |
| <hr/>   |         |            |
| <b>Financial Intermediaries</b> □                     |         |            |
| <b>9.1%</b>   |         |            |
| Banking - 4.5%  |         |            |
| B of I Holding <sup>a,c</sup>                         | 100,000 | 715,000    |
| Bancorp (The) <sup>a</sup>                            | 50,000  | 673,000    |
| BB Holdings <sup>a</sup>                              | 390,000 | 1,862,825  |
| Chemung Financial                                     | 40,000  | 1,122,000  |
| Fauquier Bankshares                                   | 160,800 | 2,741,640  |
| First National Lincoln                                | 40,200  | 588,528    |
| Franklin Bank <sup>a,c</sup>                          | 66,200  | 285,322    |
| Lakeland Financial                                    | 45,000  | 940,500    |
| Meta Financial Group                                  | 44,800  | 1,828,736  |
| Nexity Financial <sup>a,c</sup>                       | 34,000  | 225,760    |
| Peapack-Gladstone Financial                           | 29,000  | 717,750    |
| Queen City Investments                                | 948     | 953,688    |
| Quest Capital   | 30,000  | 82,071     |
| Sterling Bancorp                                      | 32,869  | 448,333    |
| Sterling Financial                                    | 7,779   | 130,609    |
| WSB Financial Group <sup>a,c</sup>                    | 114,200 | 669,212    |
| Wilber Corporation                                    | 89,550  | 783,563    |
| <hr/>   |         |            |
|   |         | 14,768,537 |
| <hr/>   |         |            |
| <b>Insurance - 1.6%</b>                               |         |            |
| AmCOMP <sup>a</sup>                                   | 5,600   | 52,360     |
| American Safety Insurance Holdings <sup>a</sup>       | 20,000  | 393,000    |
| CRM Holdings <sup>a,c</sup>                           | 124,000 | 970,920    |
| First Acceptance <sup>a</sup>                         | 258,405 | 1,090,469  |
| Independence Holding                                  | 33,534  | 424,205    |

December 31, 2007

|  | SHARES  | VALUE        |
|--|---------|--------------|
| <b>Financial Intermediaries (continued)</b>      |         |              |
| Insurance (continued)                            |         |              |
| NYMAGIC  | 65,400  | \$ 1,512,702 |
| Navigators Group <sup>a,c</sup>                  | 15,200  | 988,000      |
|  |         | 5,431,656    |
| Real Estate Investment Trusts - 0.2%             |         |              |
| Vestin Realty Mortgage II <sup>a</sup>           | 180,000 | 675,000      |
| Securities Brokers - 2.8%                        |         |              |
| Broadpoint Securities Group <sup>a,c</sup>       | 95,000  | 112,100      |
| Cowen Group <sup>a,c</sup>                       | 123,600 | 1,175,436    |
| Diamond Hill Investment Group <sup>a,c</sup>     | 5,000   | 365,600      |
| <b>International Assets Holding <sup>a</sup></b> |         |              |
| Sanders Morris Harris Group                      | 113,900 | 3,074,161    |
| Stifel Financial <sup>a,c</sup>                  | 186,000 | 1,906,500    |
| Thomas Weisel Partners Group <sup>a,c</sup>      | 38,733  | 2,036,194    |
| Tradestation Group <sup>a,c</sup>                | 20,100  | 275,973      |
|  | 30,000  | 426,300      |
|  |         | 9,372,264    |
| <b>Total</b> (Cost \$23,106,640)                 |         | 30,247,457   |
| <b>Financial Services <sup>a</sup> 6.7%</b>      |         |              |
| Diversified Financial Services - 0.5%            |         |              |
| MarketAxess Holdings <sup>a,c</sup>              | 123,700 | 1,587,071    |
| Information and Processing - 0.1%                |         |              |
| PRG-Schultz International <sup>a,c</sup>         | 46,100  | 395,077      |
| Insurance Brokers - 0.4%                         |         |              |
| Crawford & Company Cl. A <sup>a,c</sup>          | 50,000  | 175,000      |
| Health Benefits Direct <sup>a,c</sup>            | 211,265 | 392,953      |
| Western Financial Group                          | 148,000 | 788,773      |
|  |         | 1,356,726    |
| Investment Management - 4.2%                     |         |              |
| <b>ADDENDA Capital</b>                           | 131,700 | 3,002,432    |
| BKF Capital Group <sup>a,b</sup>                 | 406,500 | 902,430      |
| <b>Epoch Holding Corporation</b>                 | 211,500 | 3,172,500    |

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|                            |         |           |
|----------------------------|---------|-----------|
| Hennessy Advisors          | 24,750  | 297,000   |
| <b>MVC Capital</b>         | 226,200 | 3,650,868 |
| Sceptre Investment Counsel | 78,000  | 817,975   |
| UTEK Corporation           | 50,000  | 660,000   |
| Westwood Holdings Group    | 31,900  | 1,199,440 |

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13,702,645

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**Special Purpose Acquisition Corporation - 1.2%**

|   |         |           |
|---|---------|-----------|
| Alternative Asset Management Acquisition (Units) <sup>a</sup> | 250,000 | 2,600,000 |
| General Finance <sup>a,c</sup>                                | 44,200  | 401,336   |
| Shermen WSC Acquisition <sup>a</sup>                          | 170,000 | 950,300   |

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3,951,636

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**Specialty Finance - 0.3%**

|                       |        |           |
|-----------------------|--------|-----------|
| NGP Capital Resources | 68,080 | 1,064,090 |
|-----------------------|--------|-----------|

**Total** (Cost \$17,965,823)

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22,057,245

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**Health □ 14.9%**

**Commercial Services - 1.4%**

|   |        |           |
|---|--------|-----------|
| Medifast <sup>a,c</sup>                     | 45,200 | 219,220   |
| PDI <sup>a</sup>                            | 66,800 | 625,916   |
| <b>PAREXEL International</b> <sup>a,c</sup> | 80,900 | 3,907,470 |

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4,752,606

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**Drugs and Biotech - 5.2%**

|                                       |         |         |
|---------------------------------------|---------|---------|
| Acadia Pharmaceuticals <sup>a,c</sup> | 10,000  | 110,700 |
| Allos Therapeutics <sup>a,c</sup>     | 123,600 | 777,444 |
| Anadys Pharmaceuticals <sup>a,c</sup> | 400,000 | 644,000 |

|   | <b>SHARES</b> | <b>VALUE</b> |
|---|---------------|--------------|
| Barrier Therapeutics <sup>a</sup>               | 31,300        | \$ 123,322   |
| BioCryst Pharmaceuticals <sup>a</sup>           | 160,000       | 988,800      |
| Cambrex Corporation                             | 16,000        | 134,080      |
| Caraco Pharmaceutical Laboratories <sup>a</sup> | 14,650        | 251,246      |
| Cardiome Pharma <sup>a,c</sup>                  | 21,000        | 187,320      |
| Cell Genesys <sup>a</sup>                       | 58,000        | 133,400      |
| Cerus Corporation <sup>a</sup>                  | 179,600       | 1,169,196    |
| CollaGenex Pharmaceuticals <sup>a,c</sup>       | 25,000        | 238,750      |
| Direct Corporation <sup>a,c</sup>               | 44,100        | 283,563      |
| DUSA Pharmaceuticals <sup>a,c</sup>             | 57,600        | 119,232      |
| Dyax Corporation <sup>a</sup>                   | 47,300        | 173,118      |
| Emisphere Technologies <sup>a,c</sup>           | 163,200       | 445,536      |
| Favrille <sup>a,c</sup>                         | 401,000       | 625,560      |
| Genitope Corporation <sup>a,c</sup>             | 196,700       | 145,558      |
| GenVec <sup>a,c</sup>                           | 140,000       | 205,800      |
| Hi-Tech Pharmacal <sup>a</sup>                  | 43,630        | 423,647      |
| ImmunoGen <sup>a,c</sup>                        | 24,000        | 99,600       |
| Lexicon Pharmaceuticals <sup>a,c</sup>          | 40,000        | 121,200      |
| Lifecore Biomedical <sup>a,c</sup>              | 17,900        | 258,655      |
| Luminex Corporation <sup>a,c</sup>              | 14,575        | 236,698      |
| Mannkind Corporation <sup>a</sup>               | 10,000        | 79,600       |
| Momenta Pharmaceuticals <sup>a,c</sup>          | 73,400        | 524,076      |
| Myriad Genetics <sup>a,c</sup>                  | 25,000        | 1,160,500    |

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|   |         |            |
|---|---------|------------|
| Nastech Pharmaceutical <sup>a,c</sup> <sub>--</sub>       | 2,700   | 10,260     |
| Nuvelo <sup>a,c</sup> <sub>--</sub>                       | 250,000 | 457,500    |
| Oncolytics Biotech <sup>a,c</sup> <sub>--</sub>           | 36,000  | 60,840     |
| Orchid Cellmark <sup>a,c</sup> <sub>--</sub>              | 78,000  | 390,000    |
| Origin Agritech <sup>a,c</sup> <sub>--</sub>              | 184,388 | 1,218,805  |
| Pharmanet Development Group <sup>a,c</sup> <sub>--</sub>  | 25,000  | 980,250    |
| Sangamo BioSciences <sup>a,c</sup> <sub>--</sub>          | 10,000  | 130,900    |
| Seattle Genetics <sup>a,c</sup> <sub>--</sub>             | 72,000  | 820,800    |
| Senomyx <sup>a,c</sup> <sub>--</sub>                      | 52,000  | 389,480    |
| Sinovac Biotech <sup>a,c</sup> <sub>--</sub>              | 86,000  | 440,320    |
| Strategic Diagnostics <sup>a,c</sup> <sub>--</sub>        | 57,600  | 309,888    |
| SuperGen <sup>a,c</sup> <sub>--</sub>                     | 220,000 | 803,000    |
| Tapestry Pharmaceuticals <sup>a,c</sup> <sub>--</sub>     | 815,600 | 244,680    |
| Theragenics Corporation <sup>a,c</sup> <sub>--</sub>      | 145,800 | 521,964    |
| Trimeris <sup>a,c</sup> <sub>--</sub>                     | 128,000 | 893,440    |
|   |         | 17,332,728 |
| <b>Health Services - 2.2%</b>                             |         |            |
| Albany Molecular Research <sup>a</sup>                    | 30,000  | 431,400    |
| Alliance Imaging <sup>a,c</sup> <sub>--</sub>             | 53,900  | 518,518    |
| BML   | 30,000  | 479,328    |
| Bio-Imaging Technologies <sup>a</sup>                     | 19,100  | 154,901    |
| CorVel Corporation <sup>a,c</sup> <sub>--</sub>           | 40,125  | 923,677    |
| Gentiva Health Services <sup>a</sup>                      | 23,000  | 437,920    |
| HMS Holdings <sup>a,c</sup> <sub>--</sub>                 | 11,900  | 395,199    |
| Hooper Holmes <sup>a,c</sup> <sub>--</sub>                | 88,600  | 152,392    |
| MedCath Corporation <sup>a,c</sup> <sub>--</sub>          | 18,000  | 442,080    |
| Mediware Information Systems <sup>a,c</sup> <sub>--</sub> | 38,900  | 261,797    |
| On Assignment <sup>a,c</sup> <sub>--</sub>                | 61,100  | 428,311    |
| PharMerica Corporation <sup>a,c</sup> <sub>--</sub>       | 100,000 | 1,388,000  |
| RehabCare Group <sup>a,c</sup> <sub>--</sub>              | 22,000  | 496,320    |
| Sun Healthcare Group <sup>a,c</sup> <sub>--</sub>         | 41,000  | 703,970    |
| U.S. Physical Therapy <sup>a</sup>                        | 10,000  | 143,700    |
|   |         | 7,357,513  |
| <b>Medical Products and Devices - 5.9%</b>                |         |            |
| Abiomed <sup>a,c</sup> <sub>--</sub>                      | 15,000  | 233,100    |
| Allied Healthcare Products <sup>a</sup>                   | 273,500 | 1,982,875  |

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

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## Royce Micro-Cap Trust

### Schedule of Investments

|  | SHARES  | VALUE      |
|--|---------|------------|
| <b>Health (continued)</b>                |         |            |
| Medical Products and Devices (continued) |         |            |
| AngioDynamics <sup>a,c</sup>             | 14,000  | \$ 266,560 |
| Anika Therapeutics <sup>a</sup>          | 17,000  | 246,840    |
| Atrion Corporation                       | 4,000   | 510,000    |
| CAS Medical Systems <sup>a,c</sup>       | 79,400  | 436,700    |
| Caliper Life Sciences <sup>a</sup>       | 50,000  | 276,500    |
| Cardiac Science <sup>a</sup>             | 26,243  | 212,306    |
| CONMED Corporation <sup>a,c</sup>        | 3,900   | 90,129     |
| Cutera <sup>a,c</sup>                    | 18,700  | 293,590    |
| Del Global Technologies <sup>a</sup>     | 461,301 | 1,337,773  |
| EPIX Pharmaceuticals <sup>a,c</sup>      | 24,666  | 97,184     |
| Exactech <sup>a,c</sup>                  | 113,100 | 2,346,825  |
| Golden Meditech                          | 24,100  | 10,679     |
| HealthTronics <sup>a</sup>               | 64,400  | 295,596    |
| Kensey Nash <sup>a</sup>                 | 26,650  | 797,368    |
| Medical Action Industries <sup>a,c</sup> | 125,250 | 2,611,463  |
| Merit Medical Systems <sup>a</sup>       | 8,700   | 120,930    |
| NMT Medical <sup>a,c</sup>               | 17,000  | 95,540     |
| Neurometrix <sup>a,c</sup>               | 21,500  | 197,800    |
| Orthofix International <sup>a,c</sup>    | 28,000  | 1,623,160  |
| OrthoLogic Corporation <sup>a,c</sup>    | 65,000  | 87,750     |
| PLC Systems <sup>a</sup>                 | 105,200 | 45,236     |
| Possis Medical <sup>a</sup>              | 28,600  | 416,988    |
| Shamir Optical Industry                  | 7,500   | 75,000     |
| Synovis Life Technologies <sup>a</sup>   | 20,000  | 391,000    |
| Thermage <sup>a</sup>                    | 132,000 | 762,960    |
| Tutogen Medical <sup>a,c</sup>           | 20,000  | 206,400    |
| Utah Medical Products                    | 42,300  | 1,257,156  |
| Vital Images <sup>a,c</sup>              | 29,100  | 525,837    |
| Young Innovations                        | 66,050  | 1,579,256  |
|  |         | 19,430,501 |
| <b>Personal Care - 0.2%</b>              |         |            |
| Helen of Troy <sup>a,c</sup>             | 20,000  | 342,800    |
| Nutraceutical International <sup>a</sup> | 15,000  | 198,750    |
|  |         | 541,550    |
| <b>Total</b> (Cost \$39,693,480)         |         | 49,414,898 |
| <b>Industrial Products □ 16.2%</b>       |         |            |
| Automotive - 0.8%                        |         |            |
| Commerical Vehicle Group <sup>a,c</sup>  | 7,600   | 110,200    |
| LKQ Corporation <sup>a,c</sup>           | 22,800  | 479,256    |
| Noble International                      | 24,000  | 391,440    |
| SORL Auto Parts <sup>a,c</sup>           | 50,600  | 370,392    |
| Spartan Motors                           | 6,300   | 48,132     |
| Strattec Security                        | 28,300  | 1,172,469  |
| Wecast Industries Cl. A                  | 12,900  | 114,458    |



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2,686,347

**Building Systems and Components - 1.0%**

|                       |        |           |
|-----------------------|--------|-----------|
| AAON                  | 94,500 | 1,872,990 |
| Bunka Shutter Company | 90,000 | 386,273   |
| LSI Industries        | 65,412 | 1,190,498 |

3,449,761

**Construction Materials - 1.7%**

|                           |         |           |
|---------------------------|---------|-----------|
| Ash Grove Cement          | 8,000   | 2,008,000 |
| Monarch Cement            | 50,410  | 1,524,903 |
| Trex Company <sup>a</sup> | 250,000 | 2,127,500 |

5,660,403

**SHARES      VALUE**

**Industrial Components - 2.2%**

|                                  |         |            |
|----------------------------------|---------|------------|
| C&D Technologies <sup>a,c</sup>  | 53,000  | \$ 350,330 |
| Deswell Industries               | 105,300 | 637,065    |
| Gerber Scientific <sup>a,c</sup> | 50,500  | 545,400    |
| Ladish Company <sup>a</sup>      | 10,000  | 431,900    |
| Planar Systems <sup>a</sup>      | 142,000 | 908,800    |
| Powell Industries <sup>a</sup>   | 46,800  | 2,062,476  |
| Tech/Ops Sevcon                  | 76,200  | 571,500    |
| II-VI <sup>a</sup>               | 20,000  | 611,000    |
| Zygo Corporation <sup>a,c</sup>  | 105,200 | 1,310,792  |

7,429,263

**Machinery - 4.7%**

|                                   |         |           |
|-----------------------------------|---------|-----------|
| A.S.V. <sup>a,c</sup>             | 84,800  | 1,174,480 |
| Active Power <sup>a,c</sup>       | 187,500 | 412,500   |
| Alamo Group                       | 38,600  | 699,432   |
| Astec Industries <sup>a,c</sup>   | 40,200  | 1,495,038 |
| Basin Water <sup>a,c</sup>        | 23,200  | 191,864   |
| Burnham Holdings Cl. A            | 95,000  | 1,372,750 |
| Capstone Turbine <sup>a,c</sup>   | 200,000 | 326,000   |
| Eagle Test Systems <sup>a,c</sup> | 1,500   | 19,170    |
| Eastern Company (The)             | 39,750  | 729,015   |
| Gehl Company <sup>a</sup>         | 20,000  | 320,800   |
| Gorman-Rupp Company               | 5,273   | 164,502   |
| Hurco Companies <sup>a</sup>      | 14,900  | 650,385   |
| K-Tron International <sup>a</sup> | 5,800   | 691,650   |
| Kadant <sup>a,c</sup>             | 14,100  | 418,347   |
| Keithley Instruments              | 14,000  | 135,520   |
| LeCroy Corporation <sup>a</sup>   | 2,000   | 19,220    |
| MTS Systems                       | 10,000  | 426,700   |
| Mueller (Paul) Company            | 9,650   | 468,025   |
| Sun Hydraulics                    | 58,425  | 1,474,063 |
| T-3 Energy Services <sup>a</sup>  | 2,000   | 94,020    |
| <b>Tennant Company</b>            | 88,200  | 3,906,378 |
| Titan Machinery <sup>a,c</sup>    | 25,000  | 327,500   |

15,517,359

|   |         |           |
|---|---------|-----------|
| <b>Metal Fabrication and Distribution - 0.8%</b>    |         |           |
| Encore Wire   | 15,000  | 238,800   |
| Insteel Industries                                  | 400     | 4,692     |
| NN  | 114,300 | 1,076,706 |
| Olympic Steel                                       | 11,000  | 348,810   |
| Samuel Manu-Tech                                    | 2,500   | 26,825    |
| Universal Stainless & Alloy Products <sup>a,c</sup> | 26,997  | 960,283   |
|   |         | <hr/>     |
|   |         | 2,656,116 |
|   |         | <hr/>     |
| <b>Miscellaneous Manufacturing - 2.5%</b>           |         |           |
| GP Strategies <sup>a</sup>                          | 35,000  | 372,750   |
| <b>Peerless Manufacturing <sup>a</sup></b>          | 84,400  | 3,476,436 |
| Quixote Corporation                                 | 33,300  | 632,367   |
| <b>Raven Industries</b>                             | 73,000  | 2,802,470 |
| Synalloy Corporation                                | 58,200  | 1,000,458 |
|   |         | <hr/>     |
|   |         | 8,284,481 |
|   |         | <hr/>     |
| <b>Paper and Packaging - 0.1%</b>                   |         |           |
| Mod-Pac Corporation <sup>a,c</sup>                  | 23,200  | 173,768   |
|   |         | <hr/>     |
| <b>Pumps, Valves and Bearings - 0.4%</b>            |         |           |
| CIRCOR International                                | 28,000  | 1,298,080 |
|   |         | <hr/>     |
| <b>Specialty Chemicals and Materials - 1.9%</b>     |         |           |
| Aceto Corporation                                   | 323,619 | 2,588,952 |
| American Vanguard                                   | 9,333   | 161,928   |
| Balchem Corporation                                 | 33,750  | 755,325   |

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|   | SHARES  | VALUE        |
|---|---------|--------------|
| <b>Industrial Products (continued)</b>        |         |              |
| Specialty Chemicals and Materials (continued) |         |              |
| Hawkins                                       | 118,167 | \$ 1,772,505 |
| Metabolix <sup>a,c</sup>                      | 3,000   | 71,400       |
| NuCo2 <sup>a,c</sup>                          | 20,000  | 498,000      |
| Park Electrochemical                          | 10,000  | 282,400      |
|   |         | 6,130,510    |
| Textiles - 0.1%                               |         |              |
| Unifi <sup>a</sup>                            | 100,000 | 242,000      |
| <b>Total</b> (Cost \$33,190,211)              |         | 53,528,088   |
| <b>Industrial Services □ 14.7%</b>            |         |              |
| Advertising and Publishing - 0.6%             |         |              |
| DG Fastchannel <sup>a,c</sup>                 | 21,200  | 543,568      |
| Greenfield Online <sup>a,c</sup>              | 20,000  | 292,200      |
| Journal Register                              | 105,600 | 185,856      |
| LiveDeal <sup>a,c</sup>                       | 28,200  | 121,260      |
| Voyager Learning <sup>a</sup>                 | 125,000 | 875,000      |
|   |         | 2,017,884    |
| Commercial Services - 5.4%                    |         |              |
| Animal Health International <sup>a,c</sup>    | 50,000  | 615,000      |
| CBIZ <sup>a,c</sup>                           | 87,000  | 853,470      |
| Canadian Solar <sup>a,c</sup>                 | 25,000  | 703,750      |
| Carlisle Group <sup>a</sup>                   | 188,800 | 475,445      |
| ClearPoint Business Resources <sup>a</sup>    | 120,000 | 253,200      |
| Collectors Universe                           | 23,200  | 286,288      |
| Diamond Management & Technology Consultants   | 138,100 | 1,003,987    |
| Telecare Global Solutions ADR <sup>a</sup>    | 21,000  | 174,090      |
| <b>Forrester Research <sup>a</sup></b>        | 101,500 | 2,844,030    |
| <b>Geo Group (The) <sup>a,c</sup></b>         | 102,400 | 2,867,200    |
| Gevity HR                                     | 63,400  | 487,546      |
| Home Solutions of America <sup>a,c</sup>      | 60,000  | 60,000       |
| Hudson Highland Group <sup>a,c</sup>          | 113,200 | 952,012      |
| Kforce <sup>a,c</sup>                         | 55,000  | 536,250      |
| Landauer                                      | 21,300  | 1,104,405    |
| Metalico <sup>a</sup>                         | 12,700  | 137,668      |
| PeopleSupport <sup>a,c</sup>                  | 43,300  | 592,344      |
| SM&A <sup>a,c</sup>                           | 31,300  | 182,479      |
| Team <sup>a</sup>                             | 4,400   | 160,952      |
| Volt Information Sciences <sup>a,c</sup>      | 89,400  | 1,632,444    |

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|                               |         |            |
|-------------------------------|---------|------------|
| Waste Services <sup>a,c</sup> | 26,300  | 225,391    |
| Westaff <sup>a</sup>          | 362,500 | 1,450,000  |
| Willdan Group <sup>a</sup>    | 40,100  | 275,888    |
|                               |         | <hr/>      |
|                               |         | 17,873,839 |
|                               |         | <hr/>      |

Engineering and Construction - 3.7%

|   |         |            |
|---|---------|------------|
| Cavco Industries <sup>a</sup>                 | 9,400   | 318,096    |
| <b>Exponent</b> <sup>a</sup>                  | 130,600 | 3,531,424  |
| HLS Systems International <sup>a,c</sup>      | 222,400 | 1,983,808  |
| Hanfeng Evergreen <sup>a</sup>                | 17,900  | 264,796    |
| Hill International <sup>a,c</sup>             | 35,500  | 503,035    |
| Insituform Technologies Cl. A <sup>a,c</sup>  | 56,400  | 834,720    |
| Integrated Electrical Services <sup>a,c</sup> | 122,000 | 2,292,380  |
| Modtech Holdings <sup>a</sup>                 | 71,800  | 63,902     |
| Nobility Homes                                | 13,800  | 251,850    |
| SYS <sup>a,c</sup>                            | 480,000 | 960,000    |
| Skyline Corporation                           | 32,100  | 942,135    |
| Sterling Construction <sup>a,c</sup>          | 12,300  | 268,386    |
|   |         | <hr/>      |
|   |         | 12,214,532 |
|   |         | <hr/>      |

|   | SHARES  | VALUE        |
|---|---------|--------------|
| <b>Food and Tobacco Processors - 1.7%</b>         |         |              |
| Cal-Maine Foods                                   | 50,000  | \$ 1,326,500 |
| Farmer Bros.                                      | 42,400  | 974,776      |
| Galaxy Nutritional Foods <sup>a</sup>             | 432,600 | 112,476      |
| HQ Sustainable Maritime Industries <sup>a,c</sup> | 10,000  | 97,500       |
| ML Macadamia Orchards L.P.                        | 120,200 | 418,296      |
| <b>Seneca Foods Cl. A</b> <sup>a</sup>            | 62,500  | 1,484,375    |
| <b>Seneca Foods Cl. B</b> <sup>a,c</sup>          | 42,500  | 941,800      |
| Sunopta <sup>a,c</sup>                            | 8,580   | 114,543      |
|   |         | <hr/>        |
|   |         | 5,470,266    |
|   |         | <hr/>        |
| <b>Industrial Distribution - 0.5%</b>             |         |              |
| Central Steel & Wire                              | 1,088   | 680,000      |
| Lawson Products                                   | 19,500  | 739,440      |
| Toshin Group Company                              | 14,200  | 294,484      |
|   |         | <hr/>        |
|   |         | 1,713,924    |
|   |         | <hr/>        |
| <b>Printing - 1.1%</b>                            |         |              |
| American Bank Note Holographics <sup>a,c</sup>    | 121,200 | 716,292      |
| Bowne & Co.                                       | 66,500  | 1,170,400    |
| Champion Industries                               | 23,500  | 106,220      |
| Courier Corporation                               | 27,950  | 922,629      |
| Ennis   | 9,700   | 174,600      |
| Schawck   | 38,900  | 603,728      |
|   |         | <hr/>        |
|   |         | 3,693,869    |
|   |         | <hr/>        |
| <b>Transportation and Logistics - 1.7%</b>        |         |              |

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|  |         |            |
|--|---------|------------|
| ABX Air <sup>a,c</sup>                       | 100,000 | 418,000    |
| Forward Air                                  | 50,700  | 1,580,319  |
| Frozen Food Express Industries               | 92,000  | 542,800    |
| MAIR Holdings <sup>a</sup>                   | 8,600   | 39,818     |
| Marten Transport <sup>a,c</sup>              | 21,450  | 299,228    |
| Patriot Transportation Holding <sup>a</sup>  | 3,000   | 276,690    |
| Universal Truckload Services <sup>a</sup>    | 134,200 | 2,571,272  |
| Velocity Express <sup>a,c</sup>              | 22,321  | 68,079     |
|  |         | 5,796,206  |
| <b>Total</b> (Cost \$33,225,666)             |         | 48,780,520 |
| <b>Natural Resources</b> □ 10.6%             |         |            |
| Energy Services - 4.4%                       |         |            |
| CE Franklin <sup>a,c</sup>                   | 38,650  | 251,225    |
| <b>Dril-Quip</b> <sup>a,c</sup>              | 55,000  | 3,061,300  |
| Environmental Power <sup>a,c</sup>           | 115,000 | 525,550    |
| Flotek Industries <sup>a,c</sup>             | 2,400   | 86,496     |
| Green Plains Renewable Energy <sup>a,c</sup> | 16,400  | 217,956    |
| Gulf Island Fabrication                      | 34,016  | 1,078,647  |
| GulfMark Offshore <sup>a,c</sup>             | 55,400  | 2,592,166  |
| ION Geophysical <sup>a,c</sup>               | 43,500  | 686,430    |
| Particle Drilling Technologies <sup>a</sup>  | 40,000  | 103,200    |
| Pason Systems                                | 209,200 | 2,647,457  |
| Pioneer Drilling <sup>a</sup>                | 7,500   | 89,100     |
| Willbros Group <sup>a,c</sup>                | 67,600  | 2,588,404  |
| World Energy Solutions <sup>a</sup>          | 869,400 | 704,717    |
|  |         | 14,632,648 |
| Oil and Gas - 1.3%                           |         |            |
| Bonavista Energy Trust                       | 44,600  | 1,287,907  |
| Bronco Drilling <sup>a</sup>                 | 33,200  | 493,020    |
| Cano Petroleum <sup>a</sup>                  | 45,200  | 311,428    |
| Gran Tierra Energy <sup>a,c</sup>            | 124,900 | 327,238    |
| Nuvista Energy <sup>a</sup>                  | 121,000 | 1,606,059  |
| PetroCorp <sup>a,d</sup>                     | 104,200 | 0          |

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

2007 Annual Report to  
Stockholders | 39

# Royce Micro-Cap Trust

## Schedule of Investments

|   | SHARES  | VALUE      |
|---|---------|------------|
| <b>Natural Resources</b>                  |         |            |
| <b>(continued)</b>                        |         |            |
| Oil and Gas (continued)                   |         |            |
| Storm Cat Energy <sup>a,c</sup>           | 291,200 | \$ 212,576 |
|   |         | 4,238,228  |
| <b>Precious Metals and Mining - 3.5%</b>  |         |            |
| Allied Nevada Gold                        | 134,250 | 836,377    |
| Aurizon Mines <sup>a,c</sup>              | 197,000 | 766,330    |
| Brush Engineered Materials <sup>a,c</sup> | 15,500  | 573,810    |
| Central African Gold <sup>a</sup>         | 89,790  | 50,066     |
| Chesapeake Gold <sup>a</sup>              | 20,000  | 166,979    |
| Duluth Metals <sup>a</sup>                | 87,500  | 265,971    |
| <b>Endeavour Mining Capital</b>           | 337,000 | 3,018,471  |
| Endeavour Silver <sup>a</sup>             | 50,000  | 198,500    |
| Entree Gold <sup>a</sup>                  | 177,900 | 444,750    |
| Gammon Gold <sup>a,c</sup>                | 83,836  | 671,526    |
| Golden Star Resources <sup>a,c</sup>      | 168,100 | 531,196    |
| Metallica Resources <sup>a,c</sup>        | 186,300 | 1,015,335  |
| Midway Gold <sup>a</sup>                  | 227,500 | 885,151    |
| Minefinders Corporation <sup>a</sup>      | 36,000  | 406,800    |
| New Gold <sup>a</sup>                     | 141,200 | 718,708    |
| Northgate Minerals <sup>a</sup>           | 270,000 | 818,100    |
| Uranium Resources <sup>a,c</sup>          | 11,100  | 138,528    |
| Vista Gold <sup>a,c</sup>                 | 50,000  | 251,000    |
|   |         | 11,757,598 |
| <b>Real Estate - 1.4%</b>                 |         |            |
| HFF Cl. A <sup>a,c</sup>                  | 16,500  | 127,710    |
| HomeFed Corporation <sup>a</sup>          | 11,352  | 683,958    |
| Kennedy-Wilson <sup>a</sup>               | 21,500  | 907,300    |
| PICO Holdings <sup>a</sup>                | 45,700  | 1,536,434  |
| Pope Resources L.P.                       | 33,000  | 1,410,750  |
|   |         | 4,666,152  |
| <b>Total</b> (Cost \$17,912,562)          |         | 35,294,626 |
| <b>Technology □ 23.2%</b>                 |         |            |
| <b>Aerospace and Defense - 2.8%</b>       |         |            |
| Aerovironment <sup>a</sup>                | 13,800  | 333,960    |
| Astronics Corporation <sup>a</sup>        | 26,400  | 1,122,000  |
| Ducommun <sup>a</sup>                     | 72,100  | 2,739,800  |
| <b>HEICO Corporation</b>                  | 41,600  | 2,266,368  |
| <b>HEICO Corporation Cl. A</b>            | 24,160  | 1,029,216  |
| Integral Systems                          | 48,310  | 1,123,691  |
| SIFCO Industries <sup>a,c</sup>           | 45,800  | 770,814    |

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9,385,849

Components and Systems -  
2.7%

|  |         |           |
|--|---------|-----------|
| Acacia Research-Acacia Technologies <sup>a,c</sup> | 99,350  | 892,163   |
| CSP <sup>a,c</sup>                                 | 122,581 | 817,615   |
| Excel Technology <sup>a</sup>                      | 91,900  | 2,490,490 |
| Giga-tronics <sup>a,c</sup>                        | 3,200   | 5,984     |
| MOCON  | 15,600  | 177,372   |
| Optex Company                                      | 35,000  | 522,106   |
| RadiSys Corporation <sup>a,c</sup>                 | 30,000  | 402,000   |
| Richardson Electronics                             | 139,350 | 976,844   |
| Rimage Corporation <sup>a,c</sup>                  | 20,000  | 519,000   |
| SCM Microsystems <sup>a,c</sup>                    | 37,900  | 126,586   |
| SRS Labs <sup>a,c</sup>                            | 10,000  | 53,500    |
| Spectrum Control <sup>a</sup>                      | 16,100  | 247,940   |
| TTM Technologies <sup>a</sup>                      | 124,700 | 1,454,002 |

|                                    | SHARES | VALUE                 |
|------------------------------------|--------|-----------------------|
| TransAct Technologies <sup>a</sup> | 78,600 | \$ 376,494            |
|                                    |        | <hr/> 9,062,096 <hr/> |

Distribution - 0.5%

|  |        |                       |
|--|--------|-----------------------|
| Agilysys                               | 90,000 | 1,360,800             |
| Nu Horizons Electronics <sup>a,c</sup> | 40,000 | 278,000               |
|  |        | <hr/> 1,638,800 <hr/> |

Internet Software and Services  
- 2.0%

|  |         |                       |
|--|---------|-----------------------|
| Audible <sup>a,c</sup>                       | 32,700  | 291,684               |
| Descartes Systems Group (The) <sup>a,c</sup> | 49,200  | 206,640               |
| eResearch Technology <sup>a,c</sup>          | 185,000 | 2,186,700             |
| iPass <sup>a,c</sup>                         | 190,000 | 771,400               |
| Jupitermedia Corporation <sup>a,c</sup>      | 355,800 | 1,359,156             |
| Lionbridge Technologies <sup>a,c</sup>       | 131,500 | 466,825               |
| NIC  | 26,800  | 226,192               |
| Stamps.com <sup>a</sup>                      | 80,000  | 974,400               |
|  |         | <hr/> 6,482,997 <hr/> |

IT Services - 5.1%

|  |                |                        |
|--|----------------|------------------------|
| BluePhoenix Solutions <sup>a</sup>         | 28,000         | 507,360                |
| CIBER <sup>a,c</sup>                       | 182,662        | 1,116,065              |
| Cogent Communications Group <sup>a,c</sup> | 24,800         | 588,008                |
| Computer Task Group <sup>a</sup>           | 471,361        | 2,606,626              |
| iGATE Corporation <sup>a,c</sup>           | 273,400        | 2,315,698              |
| Rainmaker Systems <sup>a,c</sup>           | 58,000         | 374,680                |
| <b>Sapient Corporation <sup>a,c</sup></b>  | <b>500,000</b> | <b>4,405,000</b>       |
| Syntel                                     | 54,300         | 2,091,636              |
| TriZetto Group (The) <sup>a</sup>          | 145,200        | 2,522,124              |
| Yucheng Technologies <sup>a,c</sup>        | 31,300         | 406,587                |
|  |                | <hr/> 16,933,784 <hr/> |

Semiconductors and  
Equipment - 2.6%

|  |         |           |
|--|---------|-----------|
| Actions Semiconductor ADR <sup>a,c</sup> | 128,900 | 525,912   |
| Cascade Microtech <sup>a</sup>           | 55,037  | 560,277   |
| CEVA <sup>a</sup>                        | 29,800  | 362,666   |
| Cohu                                     | 17,800  | 272,340   |
| Electroglas <sup>a,c</sup>               | 281,700 | 473,256   |
| Exar Corporation <sup>a,c</sup>          | 121,208 | 966,028   |
| Ikanos Communications <sup>a</sup>       | 38,700  | 208,206   |
| Intevac <sup>a,c</sup>                   | 40,550  | 589,597   |
| Jinpan International                     | 9,650   | 298,185   |
| Maxwell Technologies <sup>a</sup>        | 37,400  | 309,298   |
| Melco Holdings                           | 30,000  | 469,629   |
| Nanometrics <sup>a,c</sup>               | 22,000  | 216,920   |
| NetList <sup>a,c</sup>                   | 77,200  | 169,840   |
| PDF Solutions <sup>a</sup>               | 25,000  | 225,250   |
| Photronics <sup>a</sup>                  | 29,750  | 370,982   |
| QuickLogic Corporation <sup>a,c</sup>    | 20,000  | 66,000    |
| Rudolph Technologies <sup>a</sup>        | 12,500  | 141,500   |
| Semitoool <sup>a</sup>                   | 25,500  | 221,340   |
| Trident Microsystems <sup>a,c</sup>      | 54,200  | 355,552   |
| Virage Logic <sup>a</sup>                | 180,000 | 1,503,000 |
| Zarlink Semiconductor <sup>a</sup>       | 188,700 | 135,883   |
|  |         | 8,441,661 |

## Software - 4.7%

|  |         |           |
|--|---------|-----------|
| ACI Worldwide <sup>a</sup>               | 97,600  | 1,858,304 |
| Aladdin Knowledge Systems <sup>a</sup>   | 27,300  | 713,349   |
| Borland Software <sup>a,c</sup>          | 70,000  | 210,700   |
| Bottomline Technologies <sup>a,c</sup>   | 48,300  | 676,200   |
| Convera Corporation Cl. A <sup>a,c</sup> | 170,000 | 470,900   |
| Digimarc Corporation <sup>a,c</sup>      | 66,000  | 582,120   |



December 31, 2007

|  | SHARES  | VALUE      |
|--|---------|------------|
| <b>Technology (continued)</b>                  |         |            |
| Software (continued)                           |         |            |
| DivX <sup>a</sup>                              | 38,300  | \$ 536,200 |
| Evans & Sutherland Computer <sup>a</sup>       | 73,500  | 91,875     |
| Fundtech <sup>a</sup>                          | 51,000  | 681,360    |
| ILOG ADR <sup>a,c</sup>                        | 35,000  | 365,750    |
| JDA Software Group <sup>a,c</sup>              | 59,500  | 1,217,370  |
| OpenTV Cl. A <sup>a,c</sup>                    | 429,300 | 566,676    |
| <b>Pegasystems</b>                             | 330,200 | 3,939,286  |
| Phase Forward <sup>a,c</sup>                   | 43,000  | 935,250    |
| PLATO Learning <sup>a</sup>                    | 160,000 | 635,200    |
| Renaissance Learning                           | 2,365   | 33,110     |
| SPSS <sup>a,c</sup>                            | 41,800  | 1,501,038  |
| SeaChange International <sup>a,c</sup>         | 20,000  | 144,600    |
| TeleCommunication Systems Cl. A <sup>a,c</sup> | 10,000  | 36,100     |
| Trintech Group ADR <sup>a,c</sup>              | 94,852  | 239,976    |
| uWink <sup>a,c</sup>                           | 9,000   | 12,600     |
|  |         | 15,447,964 |
| <b>Telecommunications - 2.8%</b>               |         |            |
| Anaren <sup>a</sup>                            | 30,900  | 509,541    |
| Atlantic Tele-Network                          | 4,100   | 138,498    |
| Captaris <sup>a</sup>                          | 43,300  | 187,056    |
| Communications Systems                         | 10,700  | 127,223    |
| Diguang International Development <sup>a</sup> | 300,000 | 750,000    |
| Extreme Networks <sup>a</sup>                  | 11,500  | 40,710     |
| Global Telecom & Technology <sup>a,c</sup>     | 68,500  | 71,925     |
| NMS Communications <sup>a</sup>                | 630,000 | 1,020,600  |
| North Pittsburgh Systems <sup>c</sup>          | 23,200  | 526,408    |
| Numerex Corporation Cl. A <sup>a,c</sup>       | 35,100  | 289,575    |
| PC-Tel <sup>a</sup>                            | 44,100  | 302,526    |
| Performance Technologies <sup>a</sup>          | 41,250  | 226,875    |
| Radyne <sup>a</sup>                            | 25,520  | 234,784    |
| REMEC  | 143,387 | 150,556    |
| Symmetricom <sup>a,c</sup>                     | 24,782  | 116,723    |
| TESSCO Technologies <sup>a,c</sup>             | 13,600  | 245,616    |
| UCN <sup>a,c</sup>                             | 130,517 | 587,327    |
| ViaSat <sup>a,c</sup>                          | 76,812  | 2,644,637  |
| WJ Communications <sup>a,c</sup>               | 247,400 | 183,076    |
| Zhone Technologies <sup>a,c</sup>              | 911,600 | 1,066,572  |
|  |         | 9,420,228  |
| <b>Total</b> (Cost \$51,293,032)               |         | 76,813,379 |
| <b>Miscellaneous <sup>e</sup> 4.9%</b>         |         |            |
| <b>Total</b> (Cost \$17,084,309)               |         | 16,383,911 |

**TOTAL COMMON STOCKS**

(Cost \$263,939,273) 370,900,663

**PREFERRED STOCK □ 0.5%**

**Seneca Foods Conv. <sup>a</sup>** 75,409      1,734,407

(Cost \$943,607) 1,734,407

**VALUE**

**REPURCHASE AGREEMENTS □ 8.7%**

State Street Bank & Trust Company,  
4.00% dated 12/31/07, due 1/2/08,  
maturity value \$8,734,941 (collateralized  
by obligations of various U.S. Government  
Agencies, valued at \$8,955,600)  
(Cost \$8,733,000)

\$ 8,733,000

Lehman Brothers (Tri-Party),  
4.125% dated 12/31/07, due 1/2/08,  
maturity value \$20,004,583 (collateralized  
by obligations of various U.S. Government  
Agencies, valued at \$20,407,014)  
(Cost \$20,000,000)

20,000,000

**TOTAL REPURCHASE AGREEMENTS**

(Cost \$28,733,000)

28,733,000

**PRINCIPAL  
AMOUNT**

**COLLATERAL RECEIVED FOR SECURITIES  
LOANED □ 10.9%**

Fannie Mae-Notes 5.125%-5.20%  
due 7/13/09-9/18/12

\$46,103      46,794

Federal Home Loan Bank-Bonds 4.875%  
due 3/5/08

1,322      1,342

Federal National Mortgage Association-Bonds  
3.75%-5.50

11,694      11,856

due 7/25/08-2/16/12

Freddie Mac-Notes 6.01%

618      627

due 4/11/17

U.S. Treasury Bonds 2.375%-12.00%

940      950

due 8/15/13-1/15/27

U.S. Treasury Notes 2.375%

6      6

due 4/15/11

Money Market Funds

State Street Navigator Securities Lending  
Prime Portfolio (7 day yield-4.884%)

35,983,277

**TOTAL COLLATERAL RECEIVED FOR SECURITIES  
LOANED**

(Cost \$36,044,852)

36,044,852

**TOTAL INVESTMENTS □ 132.0%**

(Cost \$329,660,732)

437,412,922

**LIABILITIES LESS CASH AND OTHER ASSETS □ (13.9)%**

(45,937,406)

**PREFERRED STOCK □ (18.1)%**

(60,000,000)

**NET ASSETS APPLICABLE TO  
COMMON STOCKHOLDERS □ 100.0%**

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**\$ 331,475,516**

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

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## Royce Micro-Cap Trust

December 31, 2007

### Schedule of Investments

- 
- a Non-income producing.
  - b At December 31, 2007, the Fund owned 5% or more of the Company's outstanding voting securities thereby making the Company an Affiliated Company as that term is defined in the Investment Company Act of 1940.
  - c All or a portion of these securities were on loan at December 31, 2007. Total market value of loaned securities at December 31, 2007 was \$34,390,777.  
Securities for which market quotations are no longer readily available represent 0.0% of net assets. These securities have been valued at their fair value under procedures established by the Fund's Board of Directors.
  - d Includes securities first acquired in 2007 and less than 1% of net assets applicable to Common Stockholders.
  - e New additions in 2007.

**Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2007 market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$334,738,628. At December 31, 2007, net unrealized appreciation for all securities was \$102,674,294 consisting of aggregate gross unrealized appreciation of \$132,624,923 and aggregate gross unrealized depreciation of \$29,950,629. The primary differences in book and tax basis cost is the timing of the recognition of losses on securities sold and mark-to-market of Passive Foreign Investment Companies.

## Royce Micro-Cap Trust

December 31, 2007

**Statement of Assets and Liabilities****ASSETS:**

|   |                |
|---|----------------|
| Investments at value (including collateral on loaned securities)* |                |
| Non-Affiliated Companies (cost \$299,421,466)                     | \$ 407,777,492 |
| Affiliated Companies (cost \$1,506,266)                           | 902,430        |

|   |             |
|---|-------------|
| Total investments at value                | 408,679,922 |
| Repurchase agreements (at cost and value) | 28,733,000  |
| Cash and foreign currency                 | 847         |
| Receivable for investments sold           | 3,707,650   |
| Receivable for dividends and interest     | 381,873     |
| Prepaid expenses                          | 20,681      |

|              |             |
|--------------|-------------|
| Total Assets | 441,523,973 |
|--------------|-------------|

**LIABILITIES:**

|  |            |
|--|------------|
| Payable for collateral on loaned securities      | 36,044,852 |
| Payable for investments purchased                | 13,375,389 |
| Payable for investment advisory fee              | 431,673    |
| Preferred dividends accrued but not yet declared | 80,000     |
| Accrued expenses                                 | 116,543    |

|                   |            |
|-------------------|------------|
| Total Liabilities | 50,048,457 |
|-------------------|------------|

**PREFERRED STOCK:**

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

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

|   |                       |
|---|-----------------------|
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> | <b>\$ 331,475,516</b> |
|---|-----------------------|

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

|   |                |
|---|----------------|
| Common Stock paid-in capital - \$0.001 par value per share; 24,591,100 shares outstanding (150,000,000 shares authorized) | \$ 222,052,678 |
| Undistributed net investment income (loss)  | (1,435,509)    |
| Accumulated net realized gain (loss) on investments and foreign currency  | 3,186,799      |
| Net unrealized appreciation (depreciation) on investments and foreign currency  | 107,751,548    |
| Preferred dividends accrued but not yet declared  | (80,000)       |

|  |                |
|--|----------------|
| Net Assets applicable to Common Stockholders (net asset value per share - \$13.48) | \$ 331,475,516 |
|--|----------------|

|   |                |
|---|----------------|
| *Investments at identified cost (including \$36,044,852 of collateral on loaned securities) | \$ 300,927,732 |
| Market value of loaned securities   | 34,390,777     |

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

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## Royce Micro-Cap Trust

Year Ended December 31, 2007

**Statement of Operations****INVESTMENT INCOME:**

Income:

Dividends\*

Non-Affiliated Companies \$ 3,303,530

Affiliated Companies □

Interest 1,478,336

Securities lending 484,508

|              |           |
|--------------|-----------|
| Total income | 5,266,374 |
|--------------|-----------|

Expenses:

Investment advisory fees 5,092,955

Stockholder reports 133,402

Custody and transfer agent fees 75,833

Directors' fees 56,196

Professional fees 54,027

Administrative and office facilities expenses 29,792

Other expenses 60,452

|                |           |
|----------------|-----------|
| Total expenses | 5,502,657 |
|----------------|-----------|

|                              |         |
|------------------------------|---------|
| Compensating balance credits | (1,853) |
|------------------------------|---------|

|              |           |
|--------------|-----------|
| Net expenses | 5,500,804 |
|--------------|-----------|

|                              |           |
|------------------------------|-----------|
| Net investment income (loss) | (234,430) |
|------------------------------|-----------|

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

Net realized gain (loss) on investments and foreign currency

Non-Affiliated Companies 33,643,099

Affiliated Companies (839,302)

Net change in unrealized appreciation (depreciation) on investments foreign currency (27,184,286)

|   |           |
|---|-----------|
| Net realized and unrealized gain (loss) on investments and foreign currency | 5,619,511 |
|---|-----------|

|   |                  |
|---|------------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS</b> | <b>5,385,081</b> |
|---|------------------|

|  |                    |
|--|--------------------|
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b> | <b>(3,600,000)</b> |
|--|--------------------|

|   |                     |
|---|---------------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | <b>\$ 1,785,081</b> |
|---|---------------------|

\*Net of foreign withholding tax of \$63,404.

## Royce Micro-Cap Trust

### Statement of Changes in Net Assets

|   | Year ended<br>12/31/07 | Year ended<br>12/31/06 |
|---|------------------------|------------------------|
| <b>INVESTMENT OPERATIONS:</b>   |                        |                        |
| Net investment income (loss)  | \$ (234,430)           | \$ 167,273             |
| Net realized gain (loss) on investments and foreign currency  | 32,803,797             | 40,340,273             |
| Net change in unrealized appreciation (depreciation) on investments and foreign currency  | (27,184,286)           | 27,839,554             |
| Net increase (decrease) in net assets resulting from investment operations  | 5,385,081              | 68,347,100             |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                        |                        |
| Net investment income   | (224,280)              | (475,560)              |
| Net realized gain on investments and foreign currency   | (3,375,720)            | (3,124,440)            |
| Total distributions to Preferred Stockholders   | (3,600,000)            | (3,600,000)            |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>             |                        |                        |
|   | 1,785,081              | 64,747,100             |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                        |                        |
| Net investment income   | (1,991,543)            | (4,585,208)            |
| Net realized gain on investments and foreign currency   | (29,975,444)           | (30,124,923)           |
| Total distributions to Common Stockholders  | (31,966,987)           | (34,710,131)           |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                        |                        |
| Reinvestment of distributions to Common Stockholders  | 17,975,152             | 19,926,104             |
| Total capital stock transactions  | 17,975,152             | 19,926,104             |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>  |                        |                        |
|   | (12,206,754)           | 49,963,073             |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>  |                        |                        |
| Beginning of period   | 343,682,270            | 293,719,197            |
| End of period (including undistributed net investment income (loss) of \$(1,435,509) at 12/31/07 and \$(2,725,894) at 12/31/06) | \$ 331,475,516         | \$ 343,682,270         |

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

2007 Annual Report to  
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## Royce Micro-Cap Trust

### Financial Highlights

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

#### Years ended December 31,

|   | 2007          | 2006          | 2005          | 2004          | 2003          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>NET ASSET VALUE, BEGINNING OF PERIOD</b>   | \$14.77       | \$13.43       | \$14.34       | \$13.33       | \$9.39        |
| <b>INVESTMENT OPERATIONS:</b>   |               |               |               |               |               |
| Net investment income (loss)  | (0.00)        | 0.01          | (0.03)        | (0.08)        | (0.09)        |
| Net realized and unrealized gain (loss) on investments and foreign currency   | 0.24          | 3.04          | 1.14          | 2.62          | 5.28          |
| <b>Total investment operations</b>  | <b>0.24</b>   | <b>3.05</b>   | <b>1.11</b>   | <b>2.54</b>   | <b>5.19</b>   |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |               |               |               |               |               |
| Net investment income   | (0.01)        | (0.02)        | □             | □             | □             |
| Net realized gain on investments and foreign currency   | (0.14)        | (0.14)        | (0.17)        | (0.19)        | (0.18)        |
| <b>Total distributions to Preferred Stockholders</b>  | <b>(0.15)</b> | <b>(0.16)</b> | <b>(0.17)</b> | <b>(0.19)</b> | <b>(0.18)</b> |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | <b>0.09</b>   | <b>2.89</b>   | <b>0.94</b>   | <b>2.35</b>   | <b>5.01</b>   |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |               |               |               |               |               |
| Net investment income   | (0.08)        | (0.20)        | □             | □             | □             |
| Net realized gain on investments and foreign currency   | (1.27)        | (1.35)        | (1.85)        | (1.33)        | (0.92)        |
| <b>Total distributions to Common Stockholders</b>   | <b>(1.35)</b> | <b>(1.55)</b> | <b>(1.85)</b> | <b>(1.33)</b> | <b>(0.92)</b> |



**CAPITAL STOCK TRANSACTIONS:**

|  |        |        |      |        |        |
|--|--------|--------|------|--------|--------|
| Effect of reinvestment of distributions by Common Stockholders | (0.03) | (0.00) | 0.00 | (0.01) | (0.04) |
| Effect of Preferred Stock offering                             | □      | □      | □    | □      | (0.11) |

|                                  |        |        |      |        |        |
|----------------------------------|--------|--------|------|--------|--------|
| Total capital stock transactions | (0.03) | (0.00) | 0.00 | (0.01) | (0.15) |
|----------------------------------|--------|--------|------|--------|--------|

**NET ASSET VALUE, END OF PERIOD**

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
|  | \$13.48 | \$14.77 | \$13.43 | \$14.34 | \$13.33 |
|--|---------|---------|---------|---------|---------|

**MARKET VALUE, END OF PERIOD**

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
|  | \$11.94 | \$16.57 | \$14.56 | \$15.24 | \$12.60 |
|--|---------|---------|---------|---------|---------|

**TOTAL RETURN (a):**

|                 |          |        |       |        |        |
|-----------------|----------|--------|-------|--------|--------|
| Market Value    | (20.54)% | 26.72% | 8.90% | 33.44% | 63.58% |
| Net Asset Value | 0.64%    | 22.46% | 6.75% | 18.69% | 55.55% |

**RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|                              |         |       |         |         |         |
|------------------------------|---------|-------|---------|---------|---------|
| Total expenses (b,c)         | 1.56%   | 1.64% | 1.63%   | 1.62%   | 1.82%   |
| Management fee expense (d)   | 1.44%   | 1.49% | 1.43%   | 1.43%   | 1.59%   |
| Other operating expenses     | 0.12%   | 0.15% | 0.20%   | 0.19%   | 0.23%   |
| Net investment income (loss) | (0.07)% | 0.05% | (0.27)% | (0.56)% | (0.82)% |

**SUPPLEMENTAL DATA:**

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Net Assets Applicable to Common Stockholders, End of Period (in thousands) | \$331,476 | \$343,682 | \$293,719 | \$290,364 | \$253,425 |
| Liquidation Value of Preferred Stock, End of Period (in thousands)         | \$60,000  | \$60,000  | \$60,000  | \$60,000  | \$60,000  |
| Portfolio Turnover Rate  | 41%       | 34%       | 46%       | 32%       | 26%       |

**PREFERRED STOCK:**

|                                     |           |           |           |           |           |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Total shares outstanding            | 2,400,000 | 2,400,000 | 2,400,000 | 2,400,000 | 2,400,000 |
| Asset coverage per share            | \$163.11  | \$168.20  | \$147.38  | \$145.98  | \$130.59  |
| Liquidation preference per share    | \$25.00   | \$25.00   | \$25.00   | \$25.00   | \$25.00   |
| Average market value per share (e): |           |           |           |           |           |
| 6.00% Cumulative                    | \$24.06   | \$24.15   | \$24.97   | \$24.66   | \$25.37   |
| 7.75% Cumulative                    | □         | □         | □         | □         | \$25.70   |

- (a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.
- (b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.33%, 1.38%, 1.35%, 1.32% and 1.49% for the years ended December 31, 2007, 2006, 2005, 2004 and 2003, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders: before waiver of fees by the investment adviser would have been 1.92% for the year ended December 31, 2003; before waiver of fees and earnings credits would have been 1.56%, 1.64%, 1.63%, 1.62% and 1.92% for the years ended December 31,

2007, 2006, 2005, 2004 and 2003, respectively.

- (d) The management fee is calculated based on average net assets over a rolling 36-month basis, while the above ratios of management fee expenses are based on average net assets applicable to Common Stockholders over a 12-month basis.
- (e) The average of month-end market values during the period that the Preferred Stock was outstanding.

## Royce Micro-Cap Trust

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### Notes to Financial Statements

#### Summary of Significant Accounting Policies:

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

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

#### Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange, and securities traded on Nasdaq's Electronic Bulletin Board, are valued at their last reported sales price or Nasdaq official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their highest bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. In addition, if, between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. The Fund uses an independent pricing service to provide fair value estimates for relevant non-U.S. equity securities on days when the U.S. market volatility exceeds a certain threshold. This pricing service uses proprietary correlations it has developed between the movement of prices of non-U.S. equity securities and indices of U.S.-traded securities, futures contracts and other indications to estimate the fair value of relevant non-U.S. securities. When fair value pricing is employed, the price of securities used by the Fund may differ from quoted or published prices for the same security. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services. Investments in money market funds are valued at net asset value per share.

**Foreign Currency:**

The Fund values its non-U.S. securities in U.S. dollars daily at the prevailing foreign currency exchange rates as quoted by a major bank. The effects of changes in foreign exchange rates on investments and other assets and liabilities are included with net realized and unrealized gains and losses on investments.

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, expiration of currency forward contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books, and the U.S. dollar equivalent of the

amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, including investments in securities at the end of the reporting period, as a result of changes in foreign currency exchange rates.

**Investment Transactions and Related Investment Income:**

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on an accrual basis. Premium and discounts on debt securities are amortized using the effective yield to maturity method. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

**Expenses:**

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

**Compensating Balance Credits:**

The Fund has an arrangement with its custodian bank, whereby a portion of the custodian's fee is paid indirectly by credits earned on the Fund's cash on deposit with the bank. This deposit arrangement is an alternative to purchasing overnight investments. Conversely, the Fund pays interest to the custodian on any cash overdrafts, to the extent they are not offset by credits earned on positive cash balances.

**Taxes:**

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

**Distributions:**

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are accrued daily and paid quarterly and distributions to Common Stockholders are recorded on ex-dividend date. The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations.

## Royce Micro-Cap Trust

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### Notes to Financial Statements (continued)

that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

#### Repurchase Agreements:

The Fund may enter into repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of the counter-party, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

#### Securities Lending:

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

#### Recent Accounting Pronouncements:

The Fund adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) on June 29, 2007. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. There was no material impact to the financial statements or disclosures thereto as a result of the adoption of this pronouncement.

FASB Statement of Financial Accounting Standard No. 157, "Fair Value Measurement" (FAS 157), provides enhanced guidance for using fair value to measure assets and liabilities. The standard requires companies to provide expanded information about the assets and

liabilities measured at fair value and the potential effect of these fair valuations on an entity's financial performance. Adoption of FAS 157 is required for fiscal years beginning after November 15, 2007. The standard is not expected to materially impact the amounts reported in the Fund's financial statements, however, additional disclosures will be required in subsequent reports.

**Capital Stock:**

The Fund issued 1,320,682 and 1,401,367 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2007 and 2006, respectively.

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At December 31, 2007, 2,400,000 shares of 6.00% Cumulative Preferred Stock were outstanding. Commencing October 16, 2008 and thereafter, the Fund, at its option, may redeem the Cumulative Preferred Stock, in whole or in part, at the redemption price. The Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

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

**Investment Advisory Agreement:**

As compensation for its services under the Investment Advisory Agreement, Royce & Associates, LLC ("Royce") receives a fee comprised of a Basic Fee ("Basic Fee") and an adjustment to the Basic Fee based on the investment performance of the Fund in relation to the investment record of the Russell 2000.

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the Fund's month-end net assets applicable to Common

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

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## Royce Micro-Cap Trust

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

the investment performance of the Fund by 12 or more percentage points for the performance period.

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

For the twelve rolling 36-month periods ending December 2007, the investment performance of the Fund exceeded the investment performance of the Russell 2000 by 8% to 13%. Accordingly, the investment advisory fee consisted of a Basic Fee of \$3,714,236 and an upward adjustment of \$1,378,719 for performance of the Fund above that of the Russell 2000. For the year ended December 31, 2007, the Fund accrued and paid Royce advisory fees totaling \$5,092,955.

#### Distributions to Stockholders:

The tax character of distributions paid to stockholders during 2007 and 2006 was as follows:

| Distributions paid from: | 2007         | 2006          |
|--------------------------|--------------|---------------|
| Ordinary income          | \$ 2,532,369 | \$ 12,220,932 |
| Long-term capital gain   | 33,034,618   | 26,089,199    |
|                          | \$35,566,987 | \$38,310,131  |

As of December 31, 2007, the tax basis components of distributable earnings included in stockholders' equity were as follows:

|                                      |               |
|--------------------------------------|---------------|
| Undistributed net investment income  | \$ 2,331,609  |
| Undistributed long-term capital gain | 5,216,680     |
| Unrealized appreciation              | 102,674,294   |
| Post October currency loss*          | (719,745)     |
| Accrued preferred distributions      | (80,000)      |
|                                      | \$109,422,838 |

\* Under current tax law, capital and currency losses realized after October 31, and prior to the Fund's fiscal year end, may be deferred as occurring on the first day of the following fiscal year.

The difference between book basis and tax basis unrealized appreciation is attributable primarily to the tax deferral on wash sales and the unrealized gains on investments in Passive Foreign Investment Companies.

For financial reporting purposes, capital accounts and distributions to stockholders are adjusted to reflect the tax character of permanent book / tax differences. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing

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differences and different characterization of distributions made by the Fund. For the year ended December 31, 2007, the Fund recorded the following permanent reclassifications, which relate primarily to the current net operating losses. Results of operations and net assets were not affected by these reclassifications.

| Undistributed<br>Net Investment<br>Income | Accumulated<br>Net Realized<br>Gain (Loss) | Paid-in<br>Capital |
|---|--|--------------------|
| \$3,740,638                               | \$(3,532,042)                              | \$(208,596)        |

**Purchases and Sales of Investment Securities:**

For the year ended December 31, 2007, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$158,813,354 and \$171,665,339, respectively.

**Transactions in Shares of Affiliated Companies:**

An "Affiliated Company," as defined in the Investment Company Act of 1940, is a company in which a Fund owns 5% or more of the company's outstanding voting securities at any time during the period. The Fund effected the following transactions in shares of such companies during the year ended December 31, 2007:

| Affiliated<br>Company   | Shares<br>12/31/06 | Market<br>Value<br>12/31/06 | Cost of<br>Purchases | Cost of<br>Sales | Realized<br>Gain<br>(Loss) | Dividend<br>Income | Shares<br>12/31/07 | Market<br>Value<br>12/31/07 |
|-------------------------|--------------------|-----------------------------|----------------------|------------------|----------------------------|--------------------|--------------------|-----------------------------|
| BKF<br>Capital<br>Group | 406,500            | \$ 1,361,775                | □                    | □                | □                          | □                  | 406,500            | \$902,430                   |
| Highbury<br>Financial*  | 580,400            | 3,383,732                   | □                    | \$ 3,419,180     | \$(839,302)                | □                  |                    |                             |
|                         |                    | \$ 4,745,507                |                      |                  | \$(839,302)                | □                  |                    | \$902,430                   |

\*Not an Affiliated Company at December 31, 2007.

## Royce Micro-Cap Trust

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

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

We have audited the accompanying statement of assets and liabilities of Royce Micro-Cap Trust, Inc. (the Fund) including the schedule of investments, as of December 31, 2007, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2007 by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Royce Micro-Cap Trust, Inc. as of December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
February 22, 2008**

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## Royce Focus Trust

December 31, 2007

## Schedule of Investments

|  | SHARES  | VALUE             |
|--|---------|-------------------|
| <b>COMMON STOCKS</b> □                               |         |                   |
| <b>88.2%</b>   |         |                   |
| <b>Consumer Products</b> □                           |         |                   |
| <b>13.1%</b>   |         |                   |
| Apparel, Shoes and<br>Accessories - 3.5%             |         |                   |
| Fossil <sup>a,b</sup>                                | 75,000  | \$ 3,148,500      |
| Timberland Company Cl. A<br><sup>a,b</sup>           | 150,000 | 2,712,000         |
|  |         | <u>5,860,500</u>  |
| Health, Beauty and Nutrition<br>- 2.0%               |         |                   |
| <b>Nu Skin Enterprises Cl. A</b>                     | 200,000 | 3,286,000         |
| Home Furnishing and<br>Appliances - 1.9%             |         |                   |
| Rational   | 15,000  | 3,068,777         |
| Sports and Recreation -<br>5.7%                      |         |                   |
| <b>Thor Industries</b>                               | 140,000 | 5,321,400         |
| <b>Winnebago Industries</b>                          | 200,000 | 4,204,000         |
|  |         | <u>9,525,400</u>  |
| <b>Total</b> (Cost \$20,009,658)                     |         | <u>21,740,677</u> |
| <b>Financial Intermediaries</b>                      |         |                   |
| □ <b>4.7%</b>  |         |                   |
| Banking - 1.1%                                       |         |                   |
| BB Holdings <sup>a</sup>                             | 400,000 | 1,910,590         |
| Securities Brokers - 2.6%                            |         |                   |
| <b>Knight Capital Group Cl.<br/>A</b> <sup>a,b</sup> | 300,000 | 4,320,000         |
| Other Financial<br>Intermediaries - 1.0%             |         |                   |
| KKR Financial  | 116,632 | 1,638,680         |
| <b>Total</b> (Cost \$7,371,214)                      |         | <u>7,869,270</u>  |
| <b>Financial Services</b> □ <b>1.5%</b>              |         |                   |
| Investment Management -<br>1.5%                      |         |                   |
| U.S. Global Investors Cl. A                          | 150,000 | 2,499,000         |

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**Total** (Cost \$2,385,434) 2,499,000

**Health** □ **4.7%**

Drugs and Biotech - 2.8%

|  |         |           |
|--|---------|-----------|
| Endo Pharmaceuticals Holdings <sup>a,b</sup> | 90,000  | 2,400,300 |
| Lexicon Pharmaceuticals <sup>a,b</sup>       | 499,400 | 1,513,182 |
| ULURU <sup>a,b</sup>                         | 249,700 | 676,687   |

4,590,169

Medical Products and Devices - 1.9%

|                                      |         |           |
|--------------------------------------|---------|-----------|
| Caliper Life Sciences <sup>a,b</sup> | 302,300 | 1,671,719 |
| Possis Medical <sup>a</sup>          | 100,000 | 1,458,000 |

3,129,719

**Total** (Cost \$7,520,476) 7,719,888

**Industrial Products** □

**21.6%**

Building Systems and Components - 2.2%

**Simpson Manufacturing** 140,000 3,722,600

Machinery - 7.9%

|                                  |        |           |
|----------------------------------|--------|-----------|
| Kennametal                       | 60,000 | 2,271,600 |
| <b>Lincoln Electric Holdings</b> | 70,000 | 4,982,600 |
| Pfeiffer Vacuum Technology       | 30,000 | 2,403,245 |
| <b>Woodward Governor</b>         | 50,000 | 3,397,500 |

13,054,945

|   | <b>SHARES</b> | <b>VALUE</b>      |
|---|---------------|-------------------|
| Metal Fabrication and Distribution - 11.5%            |               |                   |
| Dynamic Materials                                     | 50,000        | \$ 2,945,000      |
| <b>Metal Management Reliance Steel &amp; Aluminum</b> | 120,000       | 5,463,600         |
| <b>Schnitzer Steel Industries Cl. A</b>               | 100,000       | 5,420,000         |
|   | 75,000        | 5,184,750         |
|   |               | <u>19,013,350</u> |
| <b>Total</b> (Cost \$17,434,403)                      |               | <u>35,790,895</u> |

**Industrial Services** □

**9.7%**

Commercial Services - 6.6%

|  |         |           |
|--|---------|-----------|
| CRA International <sup>a,b</sup>           | 60,000  | 2,856,600 |
| Corinthian Colleges <sup>a</sup>           | 120,000 | 1,848,000 |
| Korn/Ferry International <sup>a,b</sup>    | 100,000 | 1,882,000 |
| LECG Corporation <sup>a</sup>              | 180,000 | 2,710,800 |
| Universal Technical Institute <sup>a</sup> | 100,100 | 1,701,700 |

|   |         |            |
|---|---------|------------|
|   |         | 10,999,100 |
| <hr/>   |         |            |
| Food and Tobacco Processors - 2.0%              |         |            |
| <b>Sanderson Farms</b>                          | 100,000 | 3,378,000  |
| <hr/>   |         |            |
| Transportation and Logistics - 1.1%             |         |            |
| Arkansas Best                                   | 80,000  | 1,755,200  |
| <hr/>   |         |            |
| <b>Total</b> (Cost \$17,209,327)                |         | 16,132,300 |
| <hr/>   |         |            |
| <b>Natural Resources</b> □                      |         |            |
| <b>26.7%</b>                                    |         |            |
| Energy Services - 9.0%                          |         |            |
| <b>Ensign Energy Services</b>                   | 240,000 | 3,708,394  |
| Pason Systems                                   | 180,000 | 2,277,927  |
| <b>Tesco Corporation</b> <sup>a</sup>           | 120,000 | 3,440,400  |
| <b>Trican Well Service</b>                      | 280,000 | 5,455,595  |
| <hr/>   |         |            |
|   |         | 14,882,316 |
| <hr/>   |         |            |
| Oil and Gas - 3.4%                              |         |            |
| <b>Unit Corporation</b> <sup>a</sup>            | 120,000 | 5,550,000  |
| <hr/>   |         |            |
| Precious Metals and Mining - 14.3%              |         |            |
| Allied Nevada Gold                              | 250,000 | 1,557,500  |
| <b>Endeavour Mining Capital</b>                 | 500,000 | 4,478,444  |
| Fronteer Development Group <sup>a</sup>         | 270,000 | 2,686,500  |
| Gammon Gold <sup>a,b</sup>                      | 250,000 | 2,002,500  |
| <b>Ivanhoe Mines</b> <sup>a,b</sup>             | 350,000 | 3,755,500  |
| <b>Pan American Silver</b> <sup>a,b</sup>       | 140,000 | 4,890,200  |
| <b>Silver Standard Resources</b> <sup>a,b</sup> | 120,000 | 4,383,600  |
| <hr/>   |         |            |
|   |         | 23,754,244 |
| <hr/>   |         |            |
| <b>Total</b> (Cost \$29,901,858)                |         | 44,186,560 |
| <hr/>   |         |            |
| <b>Technology</b> □ <b>6.2%</b>                 |         |            |
| Semiconductors and Equipment - 2.3%             |         |            |
| <b>MKS Instruments</b> <sup>a,b</sup>           | 200,000 | 3,828,000  |
| <hr/>   |         |            |
| Software - 1.0%                                 |         |            |
| ManTech International Cl. A <sup>a,b</sup>      | 39,953  | 1,750,741  |
| <hr/>   |         |            |
| Telecommunications - 2.9%                       |         |            |
| ADTRAN  | 75,000  | 1,603,500  |
| Foundry Networks <sup>a,b</sup>                 | 180,100 | 3,155,352  |
| <hr/>   |         |            |
|   |         | 4,758,852  |

**Total** (Cost \$7,725,138)

10,337,593

**TOTAL COMMON  
STOCKS**

(Cost \$109,557,508)

146,276,183

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

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## Royce Focus Trust

December 31, 2007

## Schedule of Investments

|   | PRINCIPAL<br>AMOUNT | VALUE        |                       |
|---|---------------------|--------------|-----------------------|
| <b>GOVERNMENT BONDS</b>   |                     |              |                       |
| □ 13.5%   |                     |              |                       |
| (Principal Amount shown<br>in local currency)   |                     |              |                       |
| Australia Government<br>Bond  |                     |              |                       |
| 7.50% due 9/15/09   | \$10,000,000        | \$ 8,871,705 |                       |
| New Zealand<br>Government Bond  |                     |              |                       |
| 6.00% due 7/15/08   | 10,000,000          | 7,633,511    |                       |
| South Africa<br>Government Bond   |                     |              |                       |
| 10.00% due 2/28/09  | 40,000,000          | 5,833,105    |                       |
|   |                     |              |                       |
| <b>TOTAL GOVERNMENT<br/>BONDS</b>   |                     |              |                       |
| (Cost \$20,503,645)   |                     | 22,338,321   |                       |
|   |                     |              |                       |
| <b>REPURCHASE<br/>AGREEMENT □ 13.1%</b>   |                     |              |                       |
| State Street Bank &<br>Trust Company,<br>4.00% dated 12/31/07,<br>due 1/2/08,<br>maturity value<br>\$21,753,833<br>(collateralized<br>by obligations of various<br>U.S. Government<br>Agencies, valued at<br>\$22,295,600)<br>(Cost \$21,749,000) |                     |              |                       |
|   |                     | 21,749,000   |                       |
|   |                     |              |                       |
|   |                     |              | <b>VALUE</b>          |
| <b>COLLATERAL RECEIVED FOR SECURITIES LOANED □ 11.5%</b>  |                     |              |                       |
| Money Market Funds  |                     |              |                       |
| State Street Navigator Securities Lending<br>Prime Portfolio (7 day yield-4.884%)<br>(Cost \$19,094,783)  |                     |              |                       |
|   |                     |              | \$ 19,094,783         |
|   |                     |              |                       |
| <b>TOTAL INVESTMENTS □ 126.3%</b>   |                     |              |                       |
| (Cost \$170,904,936)  |                     |              | 209,458,287           |
| <b>LIABILITIES LESS CASH<br/>AND OTHER ASSETS □ (11.2)%</b>   |                     |              |                       |
|   |                     |              | (18,650,879)          |
| <b>PREFERRED STOCK □ (15.1)%</b>  |                     |              |                       |
|   |                     |              | (25,000,000)          |
|   |                     |              |                       |
| <b>NET ASSETS APPLICABLE TO<br/>COMMON STOCKHOLDERS □ 100.0%</b>  |                     |              |                       |
|   |                     |              | <b>\$ 165,807,408</b> |



- a Non-income producing.
- b All or a portion of these securities were on loan at December 31, 2007. Total market value of loaned securities at December 31, 2007 was \$18,233,561.
- ☐ New additions in 2007.

**Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2007 market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$176,890,888. At December 31, 2007, net unrealized appreciation for all securities was \$32,567,399, consisting of aggregate gross unrealized appreciation of \$37,689,840 and aggregate gross unrealized depreciation of \$5,122,441. The primary differences in book and tax basis cost is the timing of the recognition of losses on securities sold and mark-to-market of Passive Foreign Investment Companies.

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## Royce Focus Trust

December 31, 2007

**Statement of Assets and Liabilities****ASSETS:**

|   |                |
|---|----------------|
| Investments at value (including collateral on loaned securities)* | \$ 187,709,287 |
| Repurchase agreement (at cost and value)                          | 21,749,000     |
| Cash and foreign currency   | 161            |
| Receivable for dividends and interest                             | 700,935        |
| Prepaid expenses  | 15,778         |

|              |             |
|--------------|-------------|
| Total Assets | 210,175,161 |
|--------------|-------------|

**LIABILITIES:**

|  |            |
|--|------------|
| Payable for collateral on loaned securities      | 19,094,783 |
| Payable for investment advisory fee              | 164,400    |
| Preferred dividends accrued but not yet declared | 33,333     |
| Accrued expenses                                 | 75,237     |

|                   |            |
|-------------------|------------|
| Total Liabilities | 19,367,753 |
|-------------------|------------|

**PREFERRED STOCK:**

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

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

|   |                       |
|---|-----------------------|
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> | <b>\$ 165,807,408</b> |
|---|-----------------------|

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

|   |                |
|---|----------------|
| Common Stock paid-in capital - \$0.001 par value per share; 18,595,320 shares outstanding (100,000,000 shares authorized) | \$ 129,411,594 |
| Undistributed net investment income (loss)  | (4,782,842)    |
| Accumulated net realized gain (loss) on investments and foreign currency  | 2,653,204      |
| Net unrealized appreciation (depreciation) on investments and foreign currency  | 38,558,785     |
| Preferred dividends accrued but not yet declared  | (33,333)       |

|   |                |
|---|----------------|
| Net Assets applicable to Common Stockholders (net asset value per share - \$8.92) | \$ 165,807,408 |
|---|----------------|

|   |                |
|---|----------------|
| *Investments at identified cost (including \$19,094,783 of collateral on loaned securities) | \$ 149,155,936 |
| Market value of loaned securities   | 18,233,561     |

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

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## Royce Focus Trust

Year Ended December 31, 2007

**Statement of Operations****INVESTMENT INCOME:**

|                    |              |
|--------------------|--------------|
| Income:            |              |
| Interest*          | \$ 3,118,847 |
| Dividends**        | 1,154,342    |
| Securities lending | 20,273       |

|              |           |
|--------------|-----------|
| Total income | 4,293,462 |
|--------------|-----------|

|   |           |
|---|-----------|
| Expenses:                                     |           |
| Investment advisory fees                      | 2,003,117 |
| Stockholder reports                           | 66,356    |
| Custody and transfer agent fees               | 55,042    |
| Professional fees                             | 41,410    |
| Directors' fees                               | 27,688    |
| Administrative and office facilities expenses | 14,041    |
| Other expenses                                | 99,165    |

|                              |           |
|------------------------------|-----------|
| Total expenses               | 2,306,819 |
| Compensating balance credits | (1,851)   |

|              |           |
|--------------|-----------|
| Net expenses | 2,304,968 |
|--------------|-----------|

|                              |           |
|------------------------------|-----------|
| Net investment income (loss) | 1,988,494 |
|------------------------------|-----------|

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

|  |              |
|--|--------------|
| Net realized gain (loss) on investments and foreign currency                             | 29,154,418   |
| Net change in unrealized appreciation (depreciation) on investments and foreign currency | (10,391,522) |

|   |            |
|---|------------|
| Net realized and unrealized gain (loss) on investments and foreign currency | 18,762,896 |
|---|------------|

|   |            |
|---|------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS</b> | 20,751,390 |
|---|------------|

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

|   |               |
|---|---------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | \$ 19,251,390 |
|---|---------------|

\* Net of foreign withholding tax of \$51,151.

\*\* Net of foreign withholding tax of \$32,419.

## Royce Focus Trust

### Statement of Changes in Net Assets

|   | Year ended<br>12/31/07 | Year ended<br>12/31/06 |
|---|------------------------|------------------------|
| <b>INVESTMENT OPERATIONS:</b>   |                        |                        |
| Net investment income (loss)  | \$ 1,988,494           | \$ 2,368,567           |
| Net realized gain (loss) on investments   | 29,154,418             | 20,546,074             |
| Net change in unrealized appreciation (depreciation) on investments and foreign currency                                      | (10,391,522)           | 1,820,291              |
| Net increase (decrease) in net assets resulting from investment operations  | 20,751,390             | 24,734,932             |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                        |                        |
| Net investment income   | (331,350)              | (187,800)              |
| Net realized gain on investments and foreign currency   | (1,168,650)            | (1,312,200)            |
| Total distributions to Preferred Stockholders   | (1,500,000)            | (1,500,000)            |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>           | <b>19,251,390</b>      | <b>23,234,932</b>      |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                        |                        |
| Net investment income   | (7,385,265)            | (2,950,803)            |
| Net realized gain on investments and foreign currency   | (26,047,361)           | (20,617,913)           |
| Total distributions to Common Stockholders  | (33,432,626)           | (23,568,716)           |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                        |                        |
| Reinvestment of distributions to Common Stockholders  | 21,421,393             | 15,657,293             |
| Total capital stock transactions  | 21,421,393             | 15,657,293             |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>  | <b>7,240,157</b>       | <b>15,323,509</b>      |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>  |                        |                        |
| Beginning of period   | 158,567,251            | 143,243,742            |
| End of period (including undistributed net investment income (loss) of \$(4,782,842) at 12/31/07 and \$(517,355) at 12/31/06) | \$ 165,807,408         | \$ 158,567,251         |

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

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## Royce Focus Trust

### Financial Highlights

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

|   | Years ended December 31, |        |        |        |        |
|---|--------------------------|--------|--------|--------|--------|
|   | 2007                     | 2006   | 2005   | 2004   | 2003   |
| <b>NET ASSET VALUE, BEGINNING OF PERIOD</b>   | \$9.75                   | \$9.76 | \$9.75 | \$9.00 | \$6.27 |
| <b>INVESTMENT OPERATIONS:</b>   |                          |        |        |        |        |
| Net investment income (loss)  | 0.15                     | 0.16   | 0.06   | 0.02   | 0.08   |
| Net realized and unrealized gain (loss) on investments and foreign currency   | 1.12                     | 1.50   | 1.44   | 2.63   | 3.57   |
| Total investment operations   | 1.27                     | 1.66   | 1.50   | 2.65   | 3.65   |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                          |        |        |        |        |
| Net investment income   | (0.02)                   | (0.01) | (0.01) | (0.00) | (0.02) |
| Net realized gain on investments and foreign currency   | (0.07)                   | (0.09) | (0.11) | (0.15) | (0.14) |
| Total distributions to Preferred Stockholders   | (0.09)                   | (0.10) | (0.12) | (0.15) | (0.16) |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | 1.18                     | 1.56   | 1.38   | 2.50   | 3.49   |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                          |        |        |        |        |
| Net investment income   | (0.44)                   | (0.20) | (0.06) | (0.02) | (0.06) |
| Net realized gain on investments and foreign currency   | (1.57)                   | (1.37) | (1.15) | (1.72) | (0.56) |
| Total distributions to Common Stockholders  | (2.01)                   | (1.57) | (1.21) | (1.74) | (0.62) |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                          |        |        |        |        |
| Effect of reinvestment of distributions by Common Stockholders  | (0.00)                   | (0.00) | (0.03) | (0.01) | (0.03) |

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|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Effect of rights offering and Preferred Stock offering                       | □         | □         | (0.13)    | □         | (0.11)    |
| Total capital stock transactions   | (0.00)    | (0.00)    | (0.16)    | (0.01)    | (0.14)    |
| <b>NET ASSET VALUE, END OF PERIOD</b>  | \$8.92    | \$9.75    | \$9.76    | \$9.75    | \$9.00    |
| <b>MARKET VALUE, END OF PERIOD</b>   | \$8.97    | \$10.68   | \$9.53    | \$10.47   | \$8.48    |
| <b>TOTAL RETURN (a):</b>   |           |           |           |           |           |
| Market Value   | 3.02%     | 30.50%    | 3.03%     | 47.26%    | 63.98%    |
| Net Asset Value  | 12.22%    | 16.33%    | 13.31%    | 29.21%    | 54.33%    |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b> |           |           |           |           |           |
| Total expenses (b,c)   | 1.31%     | 1.36%     | 1.48%     | 1.53%     | 1.57%     |
| Management fee expense   | 1.14%     | 1.16%     | 1.21%     | 1.27%     | 1.14%     |
| Other operating expenses   | 0.17%     | 0.20%     | 0.27%     | 0.26%     | 0.43%     |
| Net investment income (loss)   | 1.13%     | 1.54%     | 0.63%     | 0.24%     | 1.07%     |
| <b>SUPPLEMENTAL DATA:</b>  |           |           |           |           |           |
| Net Assets Applicable to Common Stockholders, End of Period (in thousands)   | \$165,807 | \$158,567 | \$143,244 | \$105,853 | \$87,012  |
| Liquidation Value of Preferred Stock, End of Period (in thousands)           | \$25,000  | \$25,000  | \$25,000  | \$25,000  | \$25,000  |
| Portfolio Turnover Rate  | 62%       | 30%       | 42%       | 52%       | 49%       |
| <b>PREFERRED STOCK:</b>  |           |           |           |           |           |
| Total shares outstanding   | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Asset coverage per share   | \$190.81  | \$183.57  | \$168.24  | \$130.85  | \$112.01  |
| Liquidation preference per share   | \$25.00   | \$25.00   | \$25.00   | \$25.00   | \$25.00   |
| Average market value per share (d):  |           |           |           |           |           |
| 6.00% Cumulative   | \$24.37   | \$24.98   | \$25.38   | \$24.83   | \$25.45   |
| 7.45% Cumulative   | □         | □         | □         | □         | \$25.53   |

- (a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.
- (b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.15%, 1.17%, 1.22%, 1.21% and 1.20% for the years ended December 31, 2007, 2006, 2005, 2004 and 2003, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders: before waiver of fees by the investment adviser would have been 1.73% for the year ended December 31, 2003; before waiver of fees and earnings credits would have been 1.32%, 1.36%, 1.48%, 1.53% and 1.73% for the years ended December 31, 2007, 2006, 2005, 2004 and 2003, respectively.
- (d) The average of month-end market values during the period that the Preferred Stock was outstanding.

## Royce Focus Trust

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### Notes to Financial Statements

#### Summary of Significant Accounting Policies:

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

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

#### Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange, and securities traded on Nasdaq's Electronic Bulletin Board, are valued at their last reported sales price or Nasdaq official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their highest bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. In addition, if, between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. The Fund uses an independent pricing service to provide fair value estimates for relevant non-U.S. equity securities on days when the U.S. market volatility exceeds a certain threshold. This pricing service uses proprietary correlations it has developed between the movement of prices of non-U.S. equity securities and indices of U.S.-traded securities, futures contracts and other indications to estimate the fair value of relevant non-U.S. securities. When fair value pricing is employed, the price of securities used by the Fund may differ from quoted or published prices for the same security. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing

services. Investments in money market funds are valued at net asset value per share.

**Foreign Currency:**

The Fund values its non-U.S. securities in U.S. dollars daily at the prevailing foreign currency exchange rates as quoted by a major bank. The effects of changes in foreign exchange rates on investments and other assets and liabilities are included with net realized and unrealized gains and losses on investments.

Net realized foreign exchange gains or losses arise from sales and maturities of short-term securities, sales of foreign currencies, expiration of currency forward contracts, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books, and the U.S. dollar equivalent of the

amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, including investments in securities at the end of the reporting period, as a result of changes in foreign currency exchange rates.

**Investment Transactions and Related Investment Income:**

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on an accrual basis. Premium and discounts on debt securities are amortized using the effective yield to maturity method. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

**Expenses:**

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

**Compensating Balance Credits:**

The Fund has an arrangement with its custodian bank, whereby a portion of the custodian's fee is paid indirectly by credits earned on the Fund's cash on deposit with the bank. This deposit arrangement is an alternative to purchasing overnight investments. Conversely, the Fund pays interest to the custodian on any cash overdrafts, to the extent they are not offset by credits earned on positive cash balances.



**Taxes:**

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

**Distributions:**

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 5% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 1.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are accrued daily and paid quarterly and distributions to Common Stockholders are recorded on ex-dividend date. The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital.

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## Royce Focus Trust

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### Notes to Financial Statements (continued)

Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

#### **Repurchase Agreements:**

The Fund may enter into repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of the counter-party, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

#### **Securities Lending:**

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

#### **Recent Accounting Pronouncements:**

The Fund adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) on June 29, 2007. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. There was no material impact to the financial statements or disclosures thereto as a result of the adoption of this pronouncement.

FASB Statement of Financial Accounting Standard No. 157, "Fair Value Measurement" (FAS 157), provides

enhanced guidance for using fair value to measure assets and liabilities. The standard requires companies to provide expanded information about the assets and liabilities measured at fair value and the potential effect of these fair valuations on an entity's financial performance. Adoption of FAS 157 is required for fiscal years beginning after November 15, 2007. The standard is not expected to materially impact the amounts reported in the Fund's financial statements, however, additional disclosures will be required in subsequent reports.

**Capital Stock:**

The Fund issued 2,332,768 and 1,587,885 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2007 and 2006, respectively.

At December 31, 2007, 1,000,000 shares of 6.00% Cumulative Preferred Stock were outstanding. Commencing October 17, 2008 and thereafter, the Fund, at its option, may redeem the Cumulative Preferred Stock, in whole or in part, at the redemption price. The Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

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

**Investment Advisory Agreement:**

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

of the Preferred Stock fails to exceed the applicable Preferred Stock's dividend rate. For the year ended December 31, 2007, the Fund accrued and paid Royce advisory fees totaling \$2,003,117.

## Royce Focus Trust

### Notes to Financial Statements (continued)

#### Distributions to Stockholders:

The tax character of distributions paid to stockholders during 2007 and 2006 was as follows:

| Distributions paid from: | 2007                 | 2006                 |
|--------------------------|----------------------|----------------------|
| Ordinary income          | \$ 8,488,626         | \$ 4,915,975         |
| Long-term capital gain   | 26,444,000           | 20,152,741           |
|                          | <u>\$ 34,932,626</u> | <u>\$ 25,068,716</u> |

As of December 31, 2007, the tax basis components of distributable earnings included in stockholders' equity were as follows:

|                                      |                      |
|--------------------------------------|----------------------|
| Undistributed net investment income  | \$ 1,409,092         |
| Undistributed long-term capital gain | 2,447,222            |
| Unrealized appreciation              | 32,572,833           |
| Accrued preferred distributions      | (33,333)             |
|                                      | <u>\$ 36,395,814</u> |

The difference between book basis and tax basis unrealized appreciation is attributable primarily to the tax deferral on wash sales and the unrealized gains on investments in Passive Foreign Investment Companies. For financial reporting purposes, capital accounts and distributions to stockholders are adjusted to reflect the tax character of permanent book / tax differences. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences and different characterization of distributions made by the Fund. For the year ended December 31, 2007, the Fund recorded the following permanent reclassifications, which relate primarily to the current net operating losses. Results of operations and net assets were not affected by these reclassifications.

| Undistributed Net Investment Income | Accumulated Net Realized Gain (Loss) | Paid-in Capital   |
|-------------------------------------|--------------------------------------|-------------------|
| <u>\$1,462,634</u>                  | <u>\$(1,427,470)</u>                 | <u>\$(35,164)</u> |

#### Purchases and Sales of Investment Securities:

For the year ended December 31, 2007, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$99,118,411 and

\$98,707,884, respectively.

## Royce Focus Trust

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### Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying statement of assets and liabilities of Royce Focus Trust, Inc. ("Fund") including the schedule of investments, as of December 31, 2007, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2007 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Royce Focus Trust, Inc. as of December 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

**TAIT, WELLER & BAKER LLP**

**Philadelphia,  
Pennsylvania  
February 22, 2008**

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## Notes to Performance and Other Important Information

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The thoughts expressed in this *Review and Report* 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* will be included in any Royce-managed portfolio in the future. The Funds invest primarily in securities of micro-, small- and mid-cap companies, that may involve considerably more risk than investments of larger-cap companies. All publicly released material information is always disclosed by the Funds on the website at [www.roycefunds.com](http://www.roycefunds.com).

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

The Russell 2000 is an index of domestic small-cap stocks. It measures the performance of the 2,000 smallest publicly traded U.S. companies in the Russell 3000 index. The Russell 2000 Value and Growth indices consist of the respective value and growth stocks within the Russell 2000 as determined by Russell Investments. The S&P 500 and S&P SmallCap 600 are indices of U.S. large- and small-cap stocks, respectively, selected by Standard & Poor's based on market size, liquidity and industry grouping, among other factors. The Nasdaq Composite is an index of the more than 3,000 common equities listed on the Nasdaq stock exchange. Returns for the market indices used in this *Review and Report* were based on information supplied to Royce by Russell Investments and Morningstar. Royce has not independently verified the above described information. *The Royce Funds* is a service mark of The Royce Funds.

### Forward-Looking Statements

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

statements as to:

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

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

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

### Authorized Share Transactions

Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may each repurchase up to 5% of the issued and outstanding shares of its respective common stock and up to 10% of the issued and outstanding shares of its respective preferred stock during the year ending December 31, 2008. Any such repurchases would take place at then prevailing prices in the open market or in other transactions. Common stock repurchases would be effected at a price per share that is less than the share's then current net asset value, and preferred stock repurchases would be effected at a price per share that is less than the share's liquidation value.

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

### Annual Certifications

As required, the Funds have submitted to the New York Stock Exchange ("NYSE") for Royce Value Trust and Royce Micro-Cap Trust and to Nasdaq for Royce Focus Trust, respectively, the annual certification of the Funds' Chief Executive Officer that he is not aware

of any violation of the NYSE's or Nasdaq's Corporate Governance listing standards. The Funds also have included the certification of the Funds' Chief Executive Officer and Chief Financial Officer required by section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Funds' form N-CSR for the period ended December 31, 2007, filed with the Securities and Exchange Commission.

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### Proxy Voting

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

### Form N-Q Filing

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

### Royce Value Trust, Inc.

At the 2007 Annual Meeting of Stockholders held on September 27, 2007, the Fund's stockholders elected five Directors, consisting of:

|                    | VOTES FOR  | VOTES WITHHELD |
|--------------------|------------|----------------|
| *Mark R. Fetting   | 61,717,604 | 671,331        |
| *Richard M. Galkin | 61,661,286 | 727,649        |
| *Arthur S. Mehlman | 61,671,315 | 717,620        |
| **William L. Koke  | 8,016,585  | 96,279         |
| **David L. Meister | 8,021,286  | 91,578         |

\*Common Stock and Preferred Stock voting together as a single class.

\*\*Preferred Stock voting as a separate class.

### Royce Micro-Cap Trust, Inc.

At the 2007 Annual Meeting of Stockholders held on September 27, 2007, the Fund's stockholders elected five Directors, consisting of:

|                    | VOTES FOR  | VOTES WITHHELD |
|--------------------|------------|----------------|
| *Mark R. Fetting   | 23,686,138 | 254,671        |
| *Richard M. Galkin | 23,660,133 | 280,676        |
| *Arthur S. Mehlman | 23,668,200 | 272,609        |
| **William L. Koke  | 2,222,960  | 36,866         |
| **David L. Meister | 2,218,705  | 41,121         |

\*Common Stock and Preferred Stock voting together as a single class.

\*\*Preferred Stock voting as a separate class.

**Royce Focus Trust, Inc.**

At the 2007 Annual Meeting of Stockholders held on September 27, 2007, the Fund's stockholders elected five Directors, consisting of:

|                     | VOTES FOR  | VOTES WITHHELD |
|---------------------|------------|----------------|
| *Mark R. Fetting    | 14,233,685 | 120,839        |
| *Richard M. Galkin  | 14,231,985 | 122,539        |
| *Arthur S. Mehlman  | 14,232,588 | 121,936        |
| **Stephen L. Isaacs | 929,145    | 5,150          |
| **David L. Meister  | 929,345    | 4,950          |

\*Common Stock and Preferred Stock voting together as a single class.

\*\*Preferred Stock voting as a separate class.

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## Postscript: Survival of the Fittest? It's Not All Relative.

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At the heart of every reality show – certainly every successful one – lies a competition. Often, the contest pits people against each other in a situation in which no contestant has any expertise, sometimes partnering them, as on *Dancing With The Stars*, with someone who does. On *Survivor*, of course, the formula relies on something like a slightly stage-managed version of *Lord of the Flies* re-written for a grown-up, though not necessarily mature, cast of characters. *The Apprentice* has featured earnest young business professionals – and more recently celebrities – competing to impress Donald Trump and in the process learn lessons about The American Way of Doing Business that apparently only Mr. Trump can impart.

Regardless of the format, winning at any cost remains the goal, preferably with a generous dose of backstabbing, betrayal and tears along the path to victory. Having very good-looking participants doesn't hurt, either, making it somewhat obvious that for many reality TV stars, the real goal is celebrity. A well-received stint on a reality series can mean the beginning (or the resumption) of a career devoted to endeavors that traffic in the more explicitly fictional fare of movies and traditional TV. (And if *American Idol* has taught us anything, it's that being eliminated from the contest is no bar to future success. Even if one falls well short of the requisite 15-minute allotment, being famous is often one well-publicized, wildly off-key performance away.)

Of course, there's nothing new about people willing to publicly embarrass themselves for fun and profit of one sort or another. That element is not what we find interesting in the ongoing popularity of reality TV. What's intriguing to us is how readily mutual fund management lends itself to reality-TV analogies. Mutual fund performance is often discussed in a similar, short-term, winner-take-all context. The emphasis in many accounts of successful portfolio performance – whether a fund's own or in the media – sits squarely on the idea of winners and losers, occasionally over a time period no longer

than a season's worth of 22 first-run episodes. Victorious portfolio managers are often themselves treated as quasi-celebrities in fawning magazine or television profiles.

We're not immune to the temptations of seeing similarities to our work and the typical reality show. If anything, plunging stock prices have encouraged even more in-house comparisons to what we do and what goes on during a season of *Survivor*. As patient value investors who believe that we do some of our best work when stock prices are falling, we like that program's emphasis on making it through adversity. There's also less glitz and self-congratulation, which we also enjoy.

Yet even in *Survivor*, there are plenty of elements that do not really fit with our work. For example, we have often made use of time arbitrage, in which we look for situations where a company's declining stock price has been decoupled from its intrinsic value. This is important for us because we seek absolute value in the stocks that we buy, as well as in the performance that we hope to produce. There is no contest for us in these searches. In other words, we are not looking at companies that look good compared to their peers, or that possess financial characteristics that are bigger/better/faster etc. than others in a similar business. Potential portfolio selections must survive on their own merits.

**Our goal is strong absolute performance over full market cycles and other long-term periods. [Winning] the performance [battle] would be wonderful, but our true objective lies elsewhere, where our only opponent is the absolute criteria that we long ago established for ourselves.**

The same ethos governs our performance standards. We certainly have no qualms about any of *The Royce Funds* outperforming either their respective benchmark index or their similarly managed peers. However, our goal is strong absolute performance over full market cycles and other long-term periods.

Winning the performance battle would be wonderful, but our true objective lies elsewhere, where our only opponent is the absolute criteria that we long ago established for ourselves.

Still, we're all really excited about the return of *American Gladiators*.

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

### **Wealth Of Experience**

With approximately \$30 billion in open- and closed-end fund assets under management, Royce & Associates is committed to the same small-company investing principles that have served us well for more than 30 years. Charles M. Royce, our Chief Investment Officer, enjoys one of the longest tenures of any active mutual fund manager. Royce's investment staff includes 12 Portfolio Managers, as well as nine assistant portfolio managers and analysts, and seven traders.

### **Multiple Funds, Common Focus**

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

### **Consistent Discipline**

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

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

It is important that our employees and shareholders share a common financial goal; our officers, employees and their families currently have approximately \$123 million invested in The Royce Funds.

#### **General Information**

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

#### **Advisor Services**

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

#### **Computershare**

Transfer Agent and  
Registrar  
(800) 426-5523

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

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



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

TheRoyceFunds

CE-REP-1207

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

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

(a)(1) The Board of Directors of the Registrant has determined that it has an audit committee financial expert.

(a)(2) Arthur S. Mehlman was designated by the Board of Directors as the Registrant's Audit Committee Financial Expert, effective April 15, 2004. Mr. Mehlman is □independent□ as defined under Item 3 of Form N-CSR.

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

(a) Audit Fees:

Year ended December 31, 2007 - \$35,500

Year ended December 31, 2006 - \$34,000

(b) Audit-Related Fees:

Year ended December 31, 2007 - \$1,500 □ Preparation of reports to rating agency for Preferred Stock

Year ended December 31, 2006 - \$1,500 □ Preparation of reports to rating agency for Preferred Stock

(c) Tax Fees:

Year ended December 31, 2007 - \$6,000 - Preparation of tax returns

Year ended December 31, 2006 - \$5,000 - Preparation of tax returns

(d) All Other Fees:

Year ended December 31, 2007 - \$0

Year ended December 31, 2006 - \$0

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

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

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

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

(e)(2) Not Applicable

(f) Not Applicable

(g) Year ended December 31, 2007 - \$7,500  
Year ended December 31, 2006 - \$6,500

(h) No such services were rendered during 2007 or 2006.

**Item 5:** The Registrant has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. Donald R. Dwight, Richard M. Galkin, Stephen L. Isaacs, William L. Koke, Arthur S. Mehlman, David L. Meister and G. Peter O'Brien are members of the Registrant's audit committee.

**Item 6: Not Applicable.**

**Item 7:**

June 5, 2003  
As amended on April 14, 2005,  
February 28, 2006, March 12, 2007  
and May 14, 2007

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

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

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

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



- a. From time to time, it is possible that one Royce portfolio manager will decide (i) to vote shares held in client accounts he or she manages differently from the vote of another Royce portfolio manager whose client accounts hold the same security or (ii) to abstain from voting on behalf of client accounts he or she manages when another Royce portfolio manager is casting votes on behalf of other Royce client accounts.

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

- b. There are many circumstances that might cause Royce to vote against an issuer's board of directors or "management" proposal. These would include, among others, excessive compensation, unusual management stock options, preferential voting and poison pills. The portfolio managers decide these issues on a case-by-case basis as described above.
- c. A portfolio manager may, on occasion, determine to abstain from voting a proxy or a specific proxy item when he or she concludes that the potential benefit of voting is outweighed by the cost, when it is not in the client account's best interest to vote.
- d. When a client has authorized Royce to vote proxies on its behalf, Royce will generally not accept instructions from the clients regarding how to vote proxies.
- e. If a security is on loan under The Royce Funds' Securities Lending Program with State Street Bank and Trust Company ("Loaned Securities"), the Head of Administration or his designee will recall the Loaned Securities and request that they be delivered within the customary settlement period after the notice, to permit the exercise of their voting rights if the number of shares of the security on loan would have a material effect on The Royce Funds' voting power at the up-coming stockholder meeting. A material effect is defined as any case where the Loaned Securities are 1% or more of a class of a company's outstanding equity securities. Monthly, the Head of Administration or his designee will review the summary of this activity by State Street. A quarterly report detailing any exceptions that occur in recalling Loaned Securities will be given to the Boards.

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

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

Conflicts of Interest. The designated Administrative Assistant reviews reports generated by Royce's portfolio management system ("Quest PMS") that set forth by record date, any security held in a Royce client account which is issued by a (i) public company that is, or a known affiliate of which is, a separate account client of Royce (including sub-advisory relationships), (ii) public company, or a known affiliate of a public company, that has invested in a privately-offered pooled vehicle managed by Royce or (iii) public company, or a known affiliate of a



public company, by which the spouse of a Royce employee or an immediate family member of a Royce employee living in the household of such employee is employed, for the purpose of identifying any potential proxy votes that could present a conflict of interest for Royce. The Head of Administration or his designee develops and updates the list of such public companies or their known affiliates which is used by Quest PMS to generate these daily reports. This list also contains information regarding the source of any potential conflict relating to such companies. Potential conflicts identified on the "conflicts reports" are brought to the attention of the Head of Administration or his designee by the designated Administrative Assistant, who then reviews them to determine if business or personal relationships exist between Royce, its officers, managers or employees and the company that could present a material conflict of interest. Any such identified material conflicts are voted by Royce in accordance with the recommendation given by an independent third party research firm (Institutional Shareholder Services). The Head of Administration or his designee maintains a log of all such conflicts identified, the analysis of the conflict and the vote ultimately cast. Each entry in this log is signed by the Chief Investment Officer before the relevant votes are cast.

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

**Item 8.** (a)(1) Portfolio Managers of Closed-End Management Investment Companies (information as of December 31, 2007)

| <b>Name</b>      | <b>Title</b>   | <b>Length of Service</b> | <b>Principal Occupation(s) During Past 5 Years</b>   |
|------------------|--|--------------------------|--|
| Charles M. Royce | President and member of the Board of Directors of the Registrant | Since 1986               | President, Chief Investment Officer and member of the Board of Managers of Royce & Associates, LLC ("Royce"), investment adviser to the Registrant, Royce Focus Trust, Inc., Royce Micro-Cap Trust, Inc. ("RMT"), The Royce Fund and Royce Capital Fund (collectively, "The Royce Funds"). |
| Chris Flynn      | Assistant Portfolio Manager*                                     | Since April 1, 2007      | Assistant Portfolio Manager of the Registrant (since April 1, 2007); and Principal, Assistant Portfolio Manager and Senior Analyst at Royce (since 1993).  |
| Michael Hveem    | Assistant Portfolio Manager*                                     | Since April 1, 2007      | Assistant Portfolio Manager of the Registrant (since April 1, 2007); Assistant Portfolio Manager at Royce (since April 1, 2007); and Senior Analyst at Royce (since 1999).   |
| David Nadel      | Assistant Portfolio Manager*                                     | Since April 1, 2007      | Assistant Portfolio Manager of the Registrant (since April 1, 2007); Portfolio Manager and Senior Analyst at Royce (since 2006); Senior Portfolio Manager at Neuberger Berman Inc. (2004-2006); and Senior Analyst at Pequot Capital Management, Inc. (2001-2003).                         |

\* Assistant Portfolio Managers may have investment discretion over a portion of the Registrant's portfolio subject to the supervision of Registrant's Portfolio Manager.

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(a)(2) Other Accounts Managed by Portfolio Manager and Potential Conflicts of Interest (information as of December 31, 2007)

**Other Accounts**

| <b>Name of Portfolio Manager</b> | <b>Type of Account</b>             | <b>Number of Accounts Managed</b> | <b>Total Assets Managed</b> | <b>Number of Accounts Managed for which Advisory Fee is Performance-Based</b> | <b>Value of Managed Accounts for which Advisory Fee is Performance Based</b> |
|----------------------------------|------------------------------------|-----------------------------------|-----------------------------|---|--|
| Charles M. Royce                 |                                    |                                   |                             |   |  |
|                                  | Registered investment companies    | 14                                | \$16,800,519,455            | 5   | \$1,823,114,279  |
|                                  | Private pooled investment vehicles | 3                                 | \$65,162,000                | 3   | \$65,162,000   |
|                                  | Other accounts*                    | 12                                | \$65,716,595                | -   | -  |
| Chris Flynn                      |                                    |                                   |                             |   |  |
|                                  | Registered investment companies    | 4                                 | \$7,440,171,770             | 2   | \$1,796,144,841  |
|                                  | Private pooled investment vehicles | 0                                 | -                           | -   | -  |
|                                  | Other accounts*                    | 0                                 | -                           | -   | -  |
| Michael Hveem                    |                                    |                                   |                             |   |  |
|                                  | Registered investment companies    | 1                                 | \$1,404,669,325             | 1   | \$1,404,669,325  |
|                                  | Private pooled investment vehicles | 0                                 | -                           | -   | -  |
|                                  | Other accounts*                    | 0                                 | -                           | -   | -  |
| David Nadel                      |                                    |                                   |                             |   |  |
|                                  | Registered investment companies    | 5                                 | \$2,363,387,736             | 2   | \$1,410,454,951  |
|                                  | Private pooled investment vehicles | 0                                 | -                           | -   | -  |
|                                  | Other accounts*                    | 0                                 | -                           | -   | -  |

\*Other accounts include all other accounts managed by the Portfolio Manager in either a professional or personal capacity except for personal accounts subject to pre-approval and reporting requirements under the Registrant's Rule 17j-1 Code of Ethics.

**Conflicts of Interest**

The fact that a Portfolio Manager has day-to-day management responsibility for more than one client account may create actual, potential or only apparent conflicts of interest. For example, the Portfolio Manager may have an opportunity to purchase securities of limited availability. In this circumstance, the Portfolio Manager is expected to review each account's investment guidelines, restrictions, tax considerations, cash balances, liquidity needs and other factors to determine the suitability of the investment for each account and to ensure that his managed accounts are treated equitably. The Portfolio Manager may also decide to purchase or sell the same security for multiple managed accounts at approximately the same time. To address any conflicts that this situation may create, the Portfolio Manager will generally combine managed account orders (i.e., enter a "bunched" order) in an effort to obtain best execution or a more favorable commission rate. In addition, if orders to buy or sell a security for multiple accounts managed by common Portfolio Managers on the same day are executed at different prices or commission rates, the transactions will generally be allocated by Royce to each of such managed accounts at the weighted average execution price and commission. In



circumstances where a pre-allocated bunched order is not completely filled, each account will normally receive a pro-rated portion of the securities based upon the account's level of participation in the order. Royce may under certain circumstances allocate securities in a manner other than pro-rata if it determines that the allocation is fair and equitable under the circumstances and does not discriminate against any account.

As described below, there is a revenue-based component of each Portfolio Manager's Performance Bonus and the Portfolio Managers also receive a Partners Pool participation or a Firm Bonus based on revenues (adjusted for certain imputed expenses) generated by Royce. In addition, Charles M. Royce receives a bonus based on Royce's retained pre-tax profits from operations. As a result, the Portfolio Managers may receive a greater relative benefit from activities that increase the value to Royce of The Royce Funds and/or other Royce client accounts, including, but not limited to, increases in sales of the Registrant's shares and assets under management.

Also, as described above, the Portfolio Managers generally manage more than one client account, including, among others, registered investment company accounts, separate accounts and private pooled accounts managed on behalf of institutions (e.g., pension funds, endowments and foundations) and for high-net-worth individuals. The appearance of a conflict of interest may arise where Royce has an incentive, such as a performance-based management fee (or any other variation in the level of fees payable by The Royce Funds or other Royce client accounts to Royce), which relates to the management of one or more of The Royce Funds or accounts with respect to which the Portfolio Manager has day-to-day management responsibilities. Except as described below, no Portfolio Manager's compensation is tied to performance fees earned by Royce for the management of any one client account. Although bonuses and other compensation derived from Royce revenues and profits are impacted to some extent, the impact is relatively minor given the small percentage of Royce firm assets under management for which Royce received performance-measured compensation. Notwithstanding the above, the Performance Bonus paid to Charles M. Royce as Portfolio Manager of two registered investment company accounts (the Registrant and RMT) is based, in part, on performance-based fee revenues. The Registrant and RMT pay Royce a fulcrum fee that is adjusted up or down depending on the performance of that Fund relative to its benchmark index. In addition, three other registered investment company accounts managed by Mr. Royce, Royce Select Fund I, Royce Select Fund II and Royce SMid-Cap Select Fund, each pay Royce a performance-based fee.

Finally, conflicts of interest may arise when a Portfolio Manager personally buys, holds or sells securities held or to be purchased or sold for the Registrant or other Royce client account or personally buys, holds or sells the shares of one or more of The Royce Funds. To address this, Royce has adopted a written Code of Ethics designed to prevent and detect personal trading activities that may interfere or conflict with client interests (including Registrant shareholders' interests). Royce generally does not permit its Portfolio Managers to purchase small- or micro-cap securities in their personal investment portfolios.

Royce and The Royce Funds have adopted certain compliance procedures which are designed to address the above-described types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

(a)(3) Description of Portfolio Manager Compensation Structure (information as of December 31, 2007)

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Royce seeks to maintain a compensation program that is competitively positioned to attract and retain high-caliber investment professionals. All Portfolio Managers receive from Royce a base salary, a Performance Bonus (generally the largest element of each Portfolio Manager's compensation, with the exception of Charles M. Royce), a Partners Pool participation based primarily on registered investment company and other client account revenues generated by Royce and a benefits package. Portfolio Manager compensation is reviewed and may be modified from time to time as appropriate to reflect changes in the market, as well as to adjust the factors used to determine bonuses. Except as described below, each Portfolio Manager's compensation consists of the following elements:

|   |   |
|---|---|
| - | BASE SALARY. Each Portfolio Manager is paid a base salary. In setting the base salary, Royce seeks to be competitive in light of the Portfolio Manager's experience and responsibilities.   |
| - | PERFORMANCE BONUS. Each Portfolio Manager receives a quarterly Performance Bonus that is either asset-based, or revenue based and therefore in part based on the value of the accounts' net assets, determined with reference to each of the registered investment company and other client accounts they are managing. The revenue used to determine the quarterly performance bonus received by Charles M. Royce that relates to each of the Registrant and RMT are performance-based fee revenues. For all Portfolio Managers, except as described below, the Performance Bonus applicable to the registered investment company accounts managed by the Portfolio Manager is subject to upward or downward adjustment or elimination based on a combination of 3-year and 5-year risk-adjusted pre-tax returns of such accounts relative to all small-cap objective funds with three years of history tracked by Morningstar (as of December 31, 2007 there were 362 such Funds tracked by Morningstar) and the 5-year absolute returns of such accounts relative to 5-year U.S. Treasury Notes. The Performance Bonus applicable to non-registered investment company accounts managed by a Portfolio Manager, and to Royce Select Fund I, Royce Select Fund II and Royce SMid-Cap Select Fund for Mr. Royce, is not subject to a performance-related adjustment. |

Payment of the Performance Bonus may be deferred as described below, and any amounts deferred are forfeitable, if the Portfolio Manager is terminated by Royce with or without cause or resigns. The amount of the deferred Performance Bonus will appreciate or depreciate during the deferral period, based on the total return performance of one or more Royce-managed registered investment company accounts selected by the Portfolio Manager at the beginning of the deferral period. The amount deferred will depend on the Portfolio Manager's total direct, indirect beneficial and deferred invested bonus investments in the Royce registered investment company account for which he or she is receiving portfolio management compensation.

|   |   |
|---|---|
| - | ROYCE PARTNERS POOL. Each Portfolio Manager, other than Charles M. Royce, as well as other senior firm employees, participates in a quarterly pool relating to Royce's net operating revenues adjusted for some imputed expenses. A portion of this participation may be deferred for three years. The deferred portion is also forfeitable if the Portfolio Manager is terminated with or without cause or resigns and appreciates or depreciates during the deferral period based on the total return of a basket of registered investment company accounts managed by Royce. |
| - | FIRM BONUS. Charles M. Royce receives a quarterly bonus based on Royce's net revenues.  |
| - | BENEFIT PACKAGE. Each Portfolio Manager also receives benefits standard for all Royce employees, including health care and other insurance benefits, and participation in Royce's 401(k) Plan and Money Purchase Pension Plan. From time to time, on a purely discretionary basis, Portfolio Managers may also receive options to acquire stock in Royce's parent company, Legg Mason, Inc. Those options typically represent a relatively small portion of a Portfolio Manager's overall compensation.   |

Charles M. Royce, in addition to the above-described compensation, also receives a bonus based on Royce's retained pre-tax operating profit. This bonus, along with the Performance Bonus and Firm Bonus, generally represents the most significant element of Mr. Royce's compensation. A portion of the above-described compensation payable to Mr. Royce relates to his responsibilities as Royce's Chief Executive Officer, Chief Investment Officer and President of The Royce Funds.

(a)(4) Dollar Range of Equity Securities in Registrant Beneficially Owned by Portfolio Manager (information as of December 31, 2007)

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The following table shows the dollar range of the Registrant's shares owned beneficially and of record by the Portfolio Managers, including investments by his immediate family members sharing the same household and amounts invested through retirement and deferred compensation plans.

| <b>Portfolio Manager</b> | <b>Dollar Range of Registrant's Shares Beneficially Owned</b> |
|--------------------------|---|
| Charles M. Royce         | Over \$1,000,000  |
| Chris Flynn              | None  |
| Michael Hveem            | None  |
| David Nadel              | None  |

**Item 9: Not Applicable.**

**Item 10: Not Applicable.**

**Item 11: Controls and Procedures.**

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

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

**Item 12: Exhibits attached hereto.**

(a)(1) The Registrant's code of ethics pursuant to Item 2 of Form N-CSR.

(a)(2) Separate certifications by the Registrant's Principal Executive Officer and Principal Financial Officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not Applicable

(b) Separate certifications by the Registrant's Principal Executive Officer and Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and required by Rule 30a-2(b) under the Investment Company Act of 1940.

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

**ROYCE VALUE TRUST, INC.**

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

Date: March 4, 2008

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

**ROYCE VALUE TRUST, INC.**

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

Date: March 4, 2008

**ROYCE VALUE TRUST, INC.**

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

Date: March 4, 2008