ROYCE VALUE TRUST INC
Form N-CSRS
August 31, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT
OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-04875

Name of Registrant: Royce Value Trust, Inc.

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

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

Registrant's telephone number, including area code: (212) 486-1445
Date of fiscal year end: December 31
Date of reporting period: January 1, 2004 - June 30, 2004

Item 1: Reports to Shareholders

2004 Semiannual Report

THE ROYCE FUNDS

Value Investing In Small Companies For More Than 25 Years

ROYCE VALUE TRUST

ROYCE MICRO-CAP TRUST

ROYCE FOCUS TRUST

www.roycefunds.com

A FEW WORDS ON CLOSED-END FUNDS

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

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

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

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

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

Why Dividend Reinvestment Is Important

A very important component of an investor's total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. To get a fair idea of the impact of reinvested distributions, please see the charts on pages 13, 15 and 17. For additional information on the Funds Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, see page 19.

SEMIANNUAL REPORT REFERENCE GUIDE

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

Important Performance and Risk Information

All performance information in this Report reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Investment return and market 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. 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.

NAV AVERAGE ANNUAL TOTAL RETURNS Through June 30, 2004

FUND	2ND QUARTER 2004*	JAN-JUNE 2004*	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION	INCEPTION DATE
Royce Value Trust	2.38%	9.58%	35.60%	9.12%	13.24%	13.94%	12.59%	11/26/86
Royce Micro-Cap Trust	0.79	8.36	41.25	13.88	16.96	15.08	14.37	12/14/93
Royce Focus Trust	1.67	10.60	43.84	13.90	14.43	n.a.	12.91	11/1/96**
Russell 2000	0.47	6.76	33.37	6.24	6.63	10.93		

Royce Value Trust's 15-year NAV average annual total return for the period ended 6/30/04 was 12.88%.

* Not annualized.
** Date Royce & Associates, LLC assumed investment management responsibility.

Notes to Performance, Statistical and Other Information in this Report

The thoughts expressed in this report concerning recent market movements and future prospects for small company stocks are solely the opinion of Royce at June 30, 2004, and, of course, historical market trends are not necessarily indicative of future market movements. Statements regarding the future prospects for particular securities held in the Funds’ portfolios and Royce’s investment intentions with respect to those securities reflect Royce’s opinions as of June 30, 2004 and are subject to change at any time without notice. There can be no assurance that securities mentioned in this report will be included in any Royce-managed portfolio in the future.

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 Funds’ P/E ratio calculations exclude companies with zero or negative earnings.

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

Small-Cap Market Cycle Performance

Since the Russell 2000’s inception on 12/31/78, value outperformed growth in five of the six full small-cap market cycles (defined as a move of 15% from a previous peak or trough). The last small-cap market cycle (4/21/98 - 3/9/00) was the exception. **The current cycle represents what we believe is a return to more historically typical performance in that value has provided a significant advantage during the downturn (3/9/00 - 10/9/02) and through June 30, 2004.**

	PRIOR PEAK-TO-PEAK 4/21/98 – 3/9/00	PEAK-TO-TROUGH 3/9/00 – 10/9/02	TROUGH-TO-CURRENT 10/9/02 – 06/30/04	PEAK-TO-CURRENT 3/9/00 – 6/30/04	PRIOR PEAK-TO-CURRENT 4/21/98 – 6/30/04
Russell 2000	26.3%	-44.1%	84.8%	3.3%	30.4%
Russell 2000 Value	-12.7	2.0	83.1	86.7	63.0
Russell 2000 Growth	64.8	-68.4	86.7	-41.0	-2.8

NAV CUMULATIVE TOTAL RETURN					
Royce Value Trust	10.0	-12.2	83.5	61.2	77.3
Royce Micro-Cap Trust	10.6	-13.6	99.8	72.6	91.0
Royce Focus Trust	-10.7	-4.9	105.1	95.1	74.3

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

TROUGH-TO-CURRENT: Through June 30, 2004, growth led value during the rally from the October low. All three Royce Funds posted total returns of more than 80% during this period, with **Royce Micro-Cap Trust** and **Royce Focus Trust** outperforming the Russell 2000.

PEAK-TO-CURRENT: From March 9, 2000 through June 30, 2004, value maintained a sizeable lead over growth. Again, **all three Royce Funds** held performance advantages over the Russell 2000 (3.3%) and all have provided positive performance. When current cycle returns are combined with those of the prior full market cycle, a period which includes both the pre-bubble rally and the ensuing bear market, value's positive results compare favorably against growth's negative results. During this period, **all three Royce Funds** outperformed the Russell 2000 Value's 63.0% return.

All performance information in this Report reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Investment return and market 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.

Charles M. Royce, *President*

In our annual and semiannual reports, we feature two-page spreads

Letter To Our Stockholders

The Imperfect Storm

Two thousand four set sail swimmingly. Mostly rising stock prices seemed to promise that 2003's rally would continue without interruption into the new year. Soon, however, storm clouds

that examine various aspects of a funds performance and portfolio diagnostics. One of these diagnostic measures is Weighted Average P/B Ratio. P/B stands for price to book, price being a stocks price as of the date of the reports and book referring to the companys book value. Book value, which can be computed through an analysis of the balance sheet, is sometimes called equity, shareholders equity or book liquidation value. It represents the net worth based on book value of a company and is calculated by subtracting the businesss liabilities from its total assets. One reason that many investment professionals find book value significant is that it measures the value of

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appeared that darkened the sunny view of the ongoing bull market. As there had been in 2003, whispers were heard on Wall Street about bear market rallies and a poor earnings picture that could not justify then-current equity prices. Yet almost as quickly as the skies went gray, a bit of bright light broke through again, and stock prices sailed forward, though on choppier waters. The economy continued to grow, and the worrisome international picture did not seem to generate sufficient undertow to pull stock prices lower, at least not for very long. But if foreign affairs were not capable of depressing prices, what about the specter of rising interest rates, a ghostly shadow that had been looming over the stock market since at least the summer of 2003? Was the rising wave of a recovering economy strong enough to counteract two potential bear market makers? Would it calm the growing tide of discontent that seemed to affect more and more investors each day as the first half drew to a close?

With 2004 at the halfway mark, there are still no clear answers to these questions. More importantly, the resulting uncertainty has left many small-cap investors feeling stranded in tumultuous waters, casting about for calm seas, cloudless skies and a steady course. None seem forthcoming as of this writing. **About the only thing that does seem clear is the stock markets utter unpredictability. This goes beyond the daily movement in prices; it has more to do with an overall lack of direction for equities.** For anyone whose investment experiences began in the mid-90s or later, such a period probably feels very odd. With obvious exceptions (such as the third quarter of 1998 or the first of 1999 and 2000), much of the last 10 years has been characterized by more or less clearly demarcated bull or bear market periods. Although there was spirited debate about how much longer either might last, no one seemed to be asking, What kind of market are we in right now? But this is exactly the question to which investors have been craving an answer since at least February of this year. The frustration of not receiving a response seems palpable as prices rise one day then fall the next, rise again, then fall once more. Its as if several small fleets were scurrying across choppy waters in one direction before being rapidly pulled off course, then tacking to the first course again, desperate for a smooth and lengthy current toward Equity Treasure Island.

Unfortunately for all of us, a global positioning system (g.p.s.) for equities does not exist. More nettlesome still is that no device, no matter how sophisticated its technology, is capable of guiding investors to a safe harbor where they could gain a respite from the small-cap markets currently wavy waters without the possibility of missing out on potential returns. Yet it seems to us that the storm-tossed seas of the first half of 2004 are likely to remain with us for at least the next several months. Investors may simply need to accept feeling lost at sea until the market establishes a more consistent direction; otherwise, increased frustration could result in even higher levels of volatility. The feeling is comparable to the disorientation that often sets in when, at a certain distance from land, you can no longer sense the shore unless youre an experienced sailor. We suspect that many investors have had this frightening sensation lately, which is one reason why the market looks good for a brief period before suddenly lurching in the opposite direction. **Our own take is that unsettled weather on the high seas is all part of the cyclical nature of equity investing.** The most baffled investors are probably those wedded to investing as a form of instant gratification, yet from our perspective there are far worse things than the opportunity to potentially compound at mid single digits per year.

Unfortunately for all of us, a global positioning system (g.p.s.) for equities does not exist. More nettlesome still is that no device, no matter how sophisticated its technology, is capable of guiding investors to a safe harbor where they could gain a respite from the small-cap markets currently wavy waters without the possibility of missing out on potential returns.

Fleets and Flotillas

The markets susceptibility to waves and whirlpools affected equities of all sizes, from the most massive ships to the tiniest dinghies. For the six-month period ended 6/30/04, none of the major indices achieved a double-digit return, though the small-cap oriented Russell 2000 (+6.8%) managed to stay ahead of both the large-cap S&P 500 (+3.4%) and the more tech-oriented Nasdaq Composite (+2.2%). Small-caps advantage came from its firstquarter performance, in which its 6.3% return outpaced that of both other indices (+1.7% and -0.5%, respectively). In the second quarter, after having outperformed the S&P 500 for four consecutive quarters, the Russell 2000 (+0.5%) lost ground both to the large-cap index

the companys assets that shareholders would theoretically receive if a company were liquidated at the value as stated on the balance sheet.

The price-to-book ratio is one of the traditional

Letter To Our Stockholders

(+1.7%) and to the Nasdaq Composite (+2.7%). The second quarter also included the largest decline for the Russell 2000 since the first quarter of 2003. From 4/5/04 through 5/17/04, the small-cap index fell 11.6%. However, the intermediate-term news for the asset class was more encouraging. The Russell 2000 outperformed the S&P 500 for the one-, three- and five-year periods ended

ways by which value investors seek to determine whether or not a company is undervalued. The ratio compares the market's assessment of a company's worth, as measured by its stock price, to the net value of the company as expressed by its book value. If a price-to-book ratio is high, it means that the stock market has placed a high premium on the business above and beyond the value of its net assets as reflected on the balance sheet. For example, if the book value of a firm is $5 per share, but its current price is $10 per share, its price-to-book ratio would be 2.0x (10/5). If the stock price moves higher, but the book value remains the same, declines or grows more slowly, then the stock becomes more expensive in relation to its book value.

Conversely, if a

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6/30/04.

Although small-cap was a market leader through the bear market of 2000 and during the subsequent rally that kicked off in October 2002, we were not surprised by either its modest year-to-date results or its relative second-quarter stall. **In our view, one consequence of the currently volatile market is likely to be a more or less regular rotation in leadership between small- and large-cap stocks.** And while we still feel confident about the prospects for small-cap outperforming large-cap for the decade taken as whole, it must be admitted that at least part of this confidence is owing to the strong head start that small-cap has so far enjoyed from the beginning of 2000 through the end of June 2004. We continue to believe that the market is sailing on choppy, low-return waters and that neither small- nor large-cap stocks are likely to gain much of an advantage over the other in the months to come. The good ship of single asset class dominance has sailed.

Vessels of Value

In contrast to their practice of often sailing in different directions, the two small-cap style indices — the Russell 2000 Value and Russell 2000 Growth — wound up the first half of the year in similar ports, though value held an advantage. The small-cap value index was up 7.8% versus a gain of 5.7% for its growth counterpart for the year-to-date period ended 6/30/04. The indices were obviously subject to the same volatility that has been rocking many smaller vessels so far this year, so their modest results and performance proximity were not surprising. Each index suffered in the period from 4/5/04 through 5/17/04, as value fell 11.3% and the growth index declined 12.0%. Over longer-term periods, value continued to outpace growth within small-cap, despite underperforming in the trough-to-current period from 10/9/02 through 6/30/04 (+83.1% versus +86.7%). The Russell 2000 Value index outperformed the Russell 2000 Growth index for the one-, three-, five- and 10-year periods ended 6/30/04.

Frankly, we do not have much insight as to why small-cap value and growth results ran so closely together through the end of June,

but we do see a move toward quality developing that we think is consistent with the current low-return climate for stocks. Between 9/30/02 (close to the small-cap market trough on 10/9/02) and 1/31/04, historically more volatile micro-cap stocks outperformed their small-cap counterparts. The Russell 2000s micro-cap members were up a cumulative 102.6% versus 55.2% for their small-cap

counterparts during this period. This outperformance coincided with a period in which companies throughout the asset class that had no earnings outperformed those that did by more than 50% (+106.6% versus +53.5%). In addition, dividend-paying companies also suffered relative neglect from the small-cap trough on 10/9/02 through 1/31/04, up 42.5% compared to a gain of 80.2% for non-dividendpaying small-caps. Since the end of January, however, these trends appear to be reversing: From 1/31/04 through 6/30/04, the Russell 2000s small-cap members were up 2.7% versus 1.1% for the indexs micro-cap companies. Small-cap companies with earnings bested those without, and dividend-paying small-caps were up 5.2% versus a loss of 6.9% for those that did not pay dividends. Investors, who seemed uninterested in company quality throughout the recent rally period, may be getting into a quality state of mind as they try to navigate the markets waters.

We continue to believe that the market is sailing on choppy, low-return waters and that neither small- nor large-cap stocks are likely to gain much of an advantage over the other in the months to come. The good ship of single asset class dominance has sailed.

The Royce Regatta

Signs of this trend can be seen to some degree in The Royce Funds closed-end portfolios year-to-date performances through the end of June 2004. For the year-to-date period ended 6/30/04, Royce Focus Trust a portfolio that selects the bulk of its holdings from the upper tier of small-cap was the top performer among our closed-end funds. The Fund limits the number of its holdings, so its strong performance was an equally powerful testament to what was truly a stock pickers market in 2004s first half. However, it was not the only Fund in this report to generate solid returns. The more broadly diversified Royce Value Trust and Royce Micro-Cap Trust also enjoyed relatively high year-to-date returns. In fact, all three of our closed-end offerings outpaced the Russell 2000 in the first half on a net asset value (NAV) basis (see the bar chart on page 8), but as always we are more concerned with long-term and market cycle performance. We are therefore pleased to report that each of our closed-end funds outperformed the Russell 2000 on an NAV basis from its prior cycle peak on 3/9/00, as well as for the applicable one-, three-, five-, and 10-year periods ended 6/30/04. (Please see pages 12-17 for more complete information on The Royce Funds performance during these periods.)

company is trading at, near or below its book value, its low P/B ratio indicates that a company may be undervalued relative to its stock price.

However, simply because a company is cheap does not mean that its stock is worth buying. Value investors especially those here at Royce also want to know that a company possesses strong qualities as a business. A low P/B ratio is not very helpful in determining company quality there may be very good reasons for a low P/B. Earnings (or earnings power) produced by book value are the true driving forces of valuation for our purposes. In addition, the ratio is less meaningful for many companies in areas such as healthcare and technology. These businesses are far more likely to have significant intangible assets, especially intellectual property, which are of great value to the company, but that may not be fully reflected in the book value. At Royce, our portfolio managers and analysts thus do not look for companies

LETTER TO OUR STOCKHOLDERS

As more of a stock pickers market, the first half of 2004 stood in stark contrast to 2003, when Tech and micro-cap companies dominated the rally. Trying to identify industry- or sector-wide performance trends among the Funds is something of a moot exercise. Areas that were big winners in some portfolios posted modest gains or net losses in others. The markets refusal to flow in one direction for very long meant that purchase opportunities have been scarce, although the second quarter gave us more chances to find what we believe are attractively undervalued small-cap stocks than we had found in the first. In the past, the kind of frustration that is so widespread in the market today has often worked to our benefit. If 2004s buying opportunities work out, that frustration could become profitable for us again.

ALL HANDS ON DECK RATES RISING ON THE HORIZON

Many equity investors are concerned about the recent decision by the Federal Reserve to raise interest rates, fearful that a rising interest rate environment would have a deleterious effect on stock market returns, especially those of small-company stocks. However, history offers a more

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mixed record. Through the 50s and 60s, interest rates were rising over the long term, yet small-caps did well, just as they did in the late 70s, another period in which rates were on the rise. **In fact, over the past 50 years, there have been two major, long-term interest rate cycles: a rising interest-rate period that stretched from June 1954 through September 1981 and a declining interest-rate period that began in September 1981 and lasted until June 2003.**

During the first period, small-caps, as measured by the CRSP (Center for Research in Securities Prices) 6-10 Composite, produced an average annual total return of 12.9%; in the declining interest rate period, the CRSP 6-10 Composite's average annual total return was 12.6% *(see the table below)*.

S&P 500 AND CRSP 6-10
Interest Rate Cycle Average Annual Total Returns

Rate Cycle Period	Start Rate	End Rate	Duration (Years)	S&P 500	CRSP 6-10
6/30/54 - 9/30/81	2.3%	15.3%	27.3	9.3%	12.9%
9/30/81 - 6/30/03	15.3	3.3	21.8	13.5	12.6

In the more recent long-term period of declining rates, there were four instances of significant counter moves, or rate increases. The range of increases fell between 2.2% and 3.2%, and the periods lasted an average of approximately one year. During the first three periods, small-cap returns were negative (-11.7%, -19.3% and -3.4%), while the most recent saw a 44.7% gain. The three more difficult performance periods occurred at the end of

with low P/B ratios during the security selection process, but our risk-averse approach usually results in owning many companies that have

Letter To Our Stockholders

small-cap outperformance cycles in 1984, 1987 and 1994. Conversely, the positive performance period took place when small-cap was emerging as a market leader from late 1998 through January 2000 *(see the table below)*. We suspect that

them.

This is not to suggest that book value and P/B ratios are not important. Each remains an important measure of valuing companies relative to their stock price. They are also a critical part of our ongoing examination of a business's financial well being. Ideally, we like to see book value growing. In addition, we prefer to see a company's P/B ratio remain somewhat low. Our conservative bias leads us to believe that the further away from book value a company's stock price goes, the further away we move from our margin of safety, a critical component in terms of how much risk we are willing to take in the stocks that we own.

small-cap returns in these counter-move periods owed more to the cyclical nature of the asset class than to any supposed interest rate sensitivity. We believe that the recent increase in interest rates is not likely to be a short-term phenomenon, but instead marks the beginning of a long-term trend that dates back to June 2003 when long-term rates were at 3.3%. **In any case, our belief is that interest rates are not the primary driver of equity including small-cap equity returns, but are simply one factor among many to consider when making investment decisions.**

S&P 500 AND CRSP 6-10
Declining Rate Period Counter Trend Cumulative Results

Rate Cycle Period	Start Rate	End Rate	Duration (Years)	S&P 500	CRSP 6-10
5/31/83 - 6/30/84	10.4%	13.6%	1.1	-1.0%	-11.7%
1/31/87 - 10/31/87	7.1	9.5	0.7	-6.1	-19.3
10/31/93 - 11/30/94	5.3	8.0	1.1	0.1	-3.4
10/31/98 - 1/31/00	4.5	6.7	1.3	29.0	44.7

Setting Sail for Home

In thinking about the important factors inherent in any investment decision, we would advance the notion that overall company quality is a critical factor, especially in the current market climate. Quality has not, however, been a consistent driver of equity returns over the years. We have witnessed cycles that have brought us euphoria, and those that have left us crestfallen. In the former, we found that many investors shared our craving for quality, while in the latter they seemed impervious to its charms. **The trends that we mentioned earlier the stronger performance from 1/31/04 through 6/30/04 for small-cap stocks with earnings and/or those that pay dividends have been of very brief duration, but we believe that they may mark the beginning of a period in which investors will be looking for seasoned, high-quality small-cap companies.** Of course, value approaches have no monopoly on quality, especially if one views strong growth prospects as a qualitative measure. Still, our view is that the most effective way for us to navigate the potentially treacherous waters between the Scylla of rising interest rates and Charybdis of possible inflation is to continue doing what we have always done search for what we think are financially strong, attractively priced small companies.

Our view is that the most effective way for us to navigate the potentially treacherous waters between the Scylla of rising interest rates and Charybdis of possible inflation is to continue doing what we have always done search for what we think are financially strong, attractively priced small companies.

We appreciate your continued support.

Sincerely,

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

July 31, 2004

The market performance data and trends outlined in this letter are presented for illustrative purposes only. The thoughts concerning recent market movements and future prospects for small-company stocks are solely those of Royce & Associates, and, of course, there can be no assurance with regard to future market movements. Small- and micro-cap stocks may involve considerably more risk than larger-cap stocks. Past performance is no guarantee of future results. Historical market trends are not necessarily indicative of future market movements.

Royce Value Trust

AVERAGE ANNUAL TOTAL RETURNS Through 6/30/04	
Second Quarter 2004*	2.38%
January-June 2004*	9.58
1-Year	35.60
3-Year	9.12
5-Year	13.24
10-Year	13.94

Managers Discussion

Royce Value Trusts (RVT) broadly diversified portfolio of small- and micro-cap stocks successfully navigated the tempestuous seas of the small-cap realm in 2004s first half. **For the year-to-date period ended 6/30/04, the Fund was up 9.6% on a net asset value (NAV) basis and 6.5% on a market price basis. RVTs year-to-date NAV performance was ahead of the small-cap oriented Russell 2000, which gained 6.8%, but trailed the small-cap S&P 600 index, which was up 10.1% for the same period.** These results were mirrored by the Funds second-quarter returns, in which RVT gained 2.4% on

15-Year	12.88
Since Inception (11/26/86)	12.59

*Not annualized.

RISK/RETURN COMPARISON
3-Year Period ended 6/30/04

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Value Trust (NAV)	**9.1%**	**23.0**	**0.40**
S&P 600	9.4%	21.0	0.45
Russell 2000	6.2%	23.9	0.26

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

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

an NAV basis and 1.0% on a market price basis. The Russell 2000 was up 0.5% in the second quarter while the S&P600 finished the quarter with a return of 3.6%. RVTs NAV performance over market cycle and long-term periods was also solid on an absolute, as well as on a relative, basis. From the previous small-cap market peak on 3/9/00 through 6/30/04, the Fund was up 61.2% versus respective gains of 3.3% and 37.5% for the Russell 2000 and S&P 600. On an NAV basis, RVT outpaced the S&P 600 for the one-, five-, 10-, 15-year and since inception (11/26/86) periods ended 6/30/04 and was ahead of the Russell 2000 for each of these periods and for the three-year period as well. On a market price basis, RVT outperformed both benchmarks for the three-, five-, 10-, 15-year and since inception (11/26/86) periods ended 6/30/04. **The Funds average annual NAV total return since inception was 12.6%.**

With the exception of modest losses among Technology holdings, the Fund enjoyed positive performances from all of its sectors, particularly in Industrial Products and Industrial Services. Several of these companies experienced slumping prices in the high-test rally in 2003 that primarily benefitted Technology, micro-cap and other more speculative stocks, which gave us the opportunity to build existing positions. Others are perennial favorites in the portfolio in which we were already holding good-sized stakes. We have owned BHA Group Holdings at various times dating back to shortly after the Funds inception owing to our interest in its well-run and unique business. The company manufactures air pollution control equipment known as baghouses and electrostatic precipitators. Although its stock price had been mostly on the rise between January and May, it rose precipitously on the announcement on May 31 that the energy division of General Electric was acquiring the company. We held a significant position at June 30. Another old favorite and a top-10 holding was welding and cutting products manufacturer Lincoln Electric Holdings. Its business improved late in 2003, especially its expanding operations in China, leading to a recovery in its stock price, which rose more or less steadily in 2004s first half. MPS Group provides staffing, consulting and business services with a specialization in IT services through its subsidiary Modis. We like its business and low-debt balance sheet. Although volatile, its stock price turned in solid returns in the first half as conditions in IT services saw widespread improvement.

Elsewhere in the portfolio, we had success with Urban Outfitters, a merchandiser and specialty retail store operator that we have liked since first purchasing shares in 1998. It experienced strong sales and also announced a two-for-one stock split in June. We took gains in January and May.

All performance information in this Report reflects past performance, is presented on a total return basis and reflects the reinvestment

of distributions. Past performance is no guarantee of future results. Investment return and market 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.

CALENDAR YEAR NAV TOTAL RETURNS			
Year	**RVT**	**Year**	**RVT**
2003	40.8%	1995	21.1%
2002	-15.6%	1994	0.1
2001	15.2	1993	17.3
2000	16.6	1992	19.3
1999	11.7	1991	38.4
1998	3.3	1990	-13.8
1997	27.5	1989	18.3
1996	15.5	1988	22.7

GOOD IDEAS THAT WORKED Net Realized and Unrealized Gain Year-to-Date Through 6/30/04	
MGP Ingredients	$6,693,880
CompX International Cl. A	4,146,920
Urban Outfitters	2,642,588
BHA Group Holdings	2,378,100
Input/Output	2,364,078

MGP Ingredients What happens to a company in an Atkins-diet-crazed country when it has success creating low-carbohydrate wheat gluten products? For one thing, the company's stock price rises like yeast in an oven, as evidenced by the strong first-half showing of this agricultural products producer. We sold more than

PORTFOLIO DIAGNOSTICS	
Median Market Capitalization	$996 million
Weighted Average P/E Ratio	21.5x
Weighted Average P/B Ratio	2.1x
Weighted Average Yield	0.8%
Fund Net Assets	$916 million
Turnover Rate	9%

half of our position between January and May.

CompX International We enjoyed sudden and unexpected success with this maker of cabinet and computer support systems parts. Shortly after purchasing shares in May, NLIndustries announced that it wished to purchase the bulk of the company's outstanding stock, sending its price to new heights. We held a significant position at June 30.

Net Leverage	11%
Symbol - Market Price	RVT
- NAV	XRVTX

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

Royce Micro-Cap Trust

NAV AVERAGE ANNUAL TOTAL RETURNS Through 6/30/04	
Second Quarter 2004*	0.79%
January-June 2004*	8.36
1-Year	41.25
3-Year	13.88
5-Year	16.96
10-Year	15.08
Since Inception (12/14/93)	14.37

*Not annualized.

RISK/RETURN COMPARISON
3-Year Period ended 6/30/04

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Micro-Cap Trust (NAV)	**13.9%**	**25.7**	**0.54**
Russell 2000	6.2%	23.9	0.26

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

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

Manager's Discussion

Following a red-hot 2003, micro-cap performance may have cooled down a bit in 2004's first half, but you'd never know it from looking at recent short-term returns for Royce Micro-Cap Trust (RMT). **For the year-to-date period ended 6/30/04, the Fund was up 8.4% on a net asset value (NAV) basis and 10.8% on a market price basis, both returns ahead of the 6.8% gain turned in by RMT's small-cap benchmark, the Russell 2000.** The Fund also beat the benchmark on both an NAV and market price basis in the second quarter, when micro-cap performance in general began to stall. RMT had respective NAV and market price returns of 0.8% and 2.3% versus 0.5% for the small-cap benchmark in the second quarter. The news was even better over recent market cycle and long-term performance periods. From the previous small-cap market peak on 3/9/00, RMT gained 72.6% on an NAV basis versus a 3.3% return for the benchmark. On both an NAV and market price basis, the Fund also outperformed the Russell 2000 for the one-, three-, five-, 10-year and since inception (12/14/93) periods ended 6/30/04. **RMT s average annual NAV total return since inception was 14.4%.**

2003 was a year in which investors generally flocked to more speculative issues and enjoyed double-digit returns as a result. On the other hand, within small-cap the first half of 2004 generally bestowed favor on higher quality, more liquid companies, producing mostly single-digit positive performances. After leading small-caps (and most other equities) from October 2002 through the end of January 2004, micro-caps ceded leadership to their larger siblings within small-cap in February, though by a small margin. We expect that this trend will continue at least through the end of the year, as will the kind of constant volatility that marked the year's first six months. However, this should not be construed as dire news for micro-caps or those who invest in them. Small-cap leadership has historically been cyclical, and our own approach to security selection remains firmly rooted in individual company quality. Just as important, our perspective remains focused on the long term. In addition, RMT produced solid absolute results not just in 2004's first half but in the February through June period as well.

Seven of the Fund's nine sectors turned in positive performances in the year-to-date period, and the two that did not – Technology and Financial Services – posted only modest losses. Dominating performance were portfolio holdings in the Industrial Products sector, home to three of the Fund's top five performing holdings. Sun Hydraulics manufactures high-performance, screw-in hydraulic cartridge valves and manifolds for fluid power systems. Its business endured some difficulties between 2001 and 2003 before recovering in 2004. Increased sales seemed enough to attract investors, as its price climbed through most of the first half. We trimmed our position in February, May and June, but still hold a good-sized stake.

We like the way in which managed care company Sierra Health Services has made a name for itself as a small market H.M.O. The firm's earnings improved in 2004, and its earnings outlook was even more optimistic, making it easy for us to hold a large stake at June 30.

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CALENDAR YEAR NAV TOTAL RETURNS

Year	RMT
2003	55.6%
2002	-13.8
2001	23.4
2000	10.9
1999	12.7

1998	-4.1
1997	27.1
1996	16.6
1995	22.9
1994	5.0

GOOD IDEAS THAT WORKED

Net Realized and Unrealized Gain Year-to-Date Through 6/30/04	
Stein Mart	$2,287,304
Juno Lighting	1,661,380
Sun Hydraulics	1,580,385
BHA Group Holdings	1,230,428
TransAct Technologies	1,224,007

Stein Mart An earnings recovery and improving sales proved to be a winning formula for this discount fashion retailer with a business that we have liked for some years. It was the Fund's top holding at June 30.

Juno Lighting A company that we first bought in RMT's portfolio in 2000, this designer of recessed and track-lighting fixtures appealed to us because of its high profit margins in an industry that's known for tight ones. Its business remained strong and its stock price rose, leading us to hold a large stake at June 30.

GOOD IDEAS AT THE TIME

Net Realized and Unrealized Loss Year-to-Date Through 6/30/04	
iGATE Corporation	$1,144,525
Wet Seal (The) Cl. A	848,079
Young Innovations	651,370
Syntel	463,488

iGATECorporation A recovery in the IT services industry did little for the stock price of this IT consultant and staffing services firm. We held a significant position at June 30 because we still think that it's a well-run, conservatively capitalized business.

Wet Seal (The) We

PORTFOLIO DIAGNOSTICS

Median Market Capitalization	$279 million
Weighted Average P/E Ratio	19.5x*
Weighted Average P/B Ratio	1.8x
Weighted Average Yield	0.6%
Fund Net Assets	$271 million
Turnover Rate	16%
Net Leverage	5%
Symbol - Market Price - NAV	RMT XOTCX

* Excludes 22% of portfolio holdings with zero or negative earnings as of 6/30/04.

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

TOP 10 POSITIONS

% of Net Assets Applicable to Common Stockholders	
Stein Mart	1.7%
Juno Lighting	1.7
Delta Apparel	1.3

Modem Media	422,346

liked the low debt and solid reputation of this specialty retailer that focuses on clothing for teenage girls. Sales slumped and the turnaround that we had hoped for never materialized. Still confident that the company can reverse its fortunes, we held a significant position at June 30.

BHA Group Holdings	1.3
Seneca Foods	1.2
Excel Technology	1.2
Transaction Systems Architects Cl. A	1.1
Sapient Corporation	1.1
ASA	1.1
PICO Holdings	1.0

PORTFOLIO SECTOR BREAKDOWN
% of Net Assets Applicable to Common Stockholders

Technology	23.3%
Industrial Products	16.1
Industrial Services	15.1
Health	11.1
Natural Resources	10.3
Consumer Products	7.3
Financial Intermediaries	7.2
Consumer Services	6.0
Diversified Investment Companies	2.0
Financial Services	1.2
Miscellaneous	4.9
Preferred Stocks	0.5
Treasuries, Cash & Cash Equivalents	17.1

The regular reinvestment of distributions makes a difference!

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

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

CAPITAL STRUCTURE
Publicly Traded Securities Outstanding at 6/30/04 at NAV or Liquidation Value

19.5 million shares of Common Stock	$271 million
6.00% Cumulative Preferred Stock	$60 million

ROYCE FOCUS TRUST

NAV AVERAGE ANNUAL TOTAL RETURNS Through 6/30/04	
Second Quarter 2004*	1.67%
January-June 2004*	10.60
1-Year	43.84
3-Year	13.90
5-Year	14.43
Since Inception (11/1/96)	12.91

*Not annualized.

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

RISK/RETURN COMPARISON 3-Year Period ended 6/30/04	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Focus Trust (NAV)	**13.9%**	**23.8**	**0.58**
Russell 2000	6.2%	23.9	0.26

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

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

MANAGER's DISCUSSION

Quality companies from the upper tier of the small-cap universe profited from the recent shift in leadership within the sector. The move certainly helped many of the holdings in Royce Focus Trust's (FUND) limited portfolio of small-cap securities in the first half. **For the year-to-date period ended 6/30/04, the Fund was up 10.6% on a net asset value (NAV) basis, well ahead of its small-cap benchmark, the Russell 2000, which was up 6.8% for the same period.** The Fund was up 5.2% on a market price basis year-to-date. The NAV return in 2004's second quarter was 1.7% (versus 0.5% for the Russell 2000), and the Fund's market price return was -6.6%. While some snapback in the Fund's market price after a strong first quarter result was understandable, we were frankly mystified by the market price's sudden recoil from April through June. Over market-cycle and long-term performance periods, the Fund shone on both a market price and NAV basis. From the previous small-cap market peak on 3/9/00 through 6/30/04, the Fund was up 95.1% on an NAV basis and 109.0% on a market price basis versus a return of 3.3% for the small-cap index. The Fund outpaced the Russell 2000 for the one-, three-, five-year and since inception of our management (11/01/96) periods ended 6/30/04 on both a market price and NAV basis. **The Fund's average annual NAV total return since inception was 12.9%.**

The recent move to quality has been of very short duration, lasting only from February through the end of June, but may mark the beginning of a longer-term trend. During the rally that lasted from 10/9/02 through 1/31/04, not only did small-cap fall behind micro-cap, but companies with earnings trailed those without and businesses that paid dividends posted lower returns than those that did not. However, all three of these trends have reversed since the end of January. After a 16-month period of outperformance, a reversal was not unexpected, and has so far benefitted several of the Fund's portfolio holdings.

Holdings in the Health, Industrial Products and Financial Intermediaries sectors made the most significant positive impact on first-half performance. The rising price of generic and brand name drug maker Endo Pharmaceuticals Holdings led us to take some gains in February and April, though we still hold a good-sized position. Top-10 holding Schnitzer Steel Industries is a recycling and scrap metal company in a unique business with little competition and high barriers to entry. We think that it's a well-managed firm and were pleased to see it post record profits and to explore the sale of one of its mills in the first half. Another top-10 position, Alleghany Corporation, is a holding company whose primary business is insurance. The firm made a series of what we regard as interesting acquisitions late in 2003 and has been deploying its cash effectively, two factors that boosted our confidence.

Elsewhere in the portfolio, we sold our position in Tom Brown in April. We have long liked the fundamentals and management of this oil and natural gas company and were given a chance to sell at a substantial gain when a large Canadian oil and natural gas producer, Encana, announced that it was acquiring the firm. We also sold our position in Charming Shoppes, a women's fashion retailer that has been held in many Royce-managed portfolios over the years due to our admiration for its ability to succeed in an extraordinarily competitive industry.

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CALENDAR YEAR NAV TOTAL RETURNS

Year	FUND
2003	54.3%
2002	-12.5
2001	10.0
2000	20.9
1999	8.7
1998	-6.8
1997	20.5

Performance and Portfolio Review

GOOD IDEAS THAT WORKED Net Realized and Unrealized Gain Year-to-Date Through 6/30/04	
Nu Skin Enterprises Cl. A	$1,348,243
Input/Output	1,144,358
Tom Brown	925,084
Alleghany Corporation	863,952
Endo Pharmaceuticals Holdings	711,023

Nu Skin Enterprises We like the core business of this direct marketer of cosmetics and diet and nutritional supplements. New products succeeded in North America, its increasingly important Japanese business flourished and the firm made profitable inroads into China. It was a top-10 holding in the Fund at June 30.

Input/Output The company provides several seismic imaging products primarily used by seismic contracting and oil and gas companies. New management took over the firm in 2002, with the intention of maintaining the companys preeminence in its field. Booming business and what we think were a series of smart acquisitions indicate that they are succeeding. It was a top-10 holding in the Fund at June 30.

GOOD IDEAS AT THE TIME Net Realized and Unrealized Loss Year-to-Date Through 6/30/04	
Hecla Mining Company	$915,285
Goldcorp	770,400
Callaway Golf Company	560,411
Syntel	408,000
CEVA	287,626

Hecla Mining Company This silver, gold, lead and zinc miner suffered from the same King Midas in Reverse condition that afflicted many of its compeers in the precious metals industry. We remain hopeful that this well-managed firm can turn things around, so we increased our position in the first half.

Goldcorp We still believe that this is one of the premier North American gold mining companies. However, the prospect (and subsequent actuality) of rising interest rates, the rallying U.S. dollar and the decision on the part of the Chinese government to curb growth all conspired to depress precious metals prices. This

PORTFOLIO DIAGNOSTICS	
Median Market Capitalization	$1,191 million
Weighted Average P/E Ratio	19.2x
Weighted Average P/B Ratio	2.5x
Weighted Average Yield	1.6%
Fund Net Assets	$96 million
Turnover Rate	24%
Net Leverage	3%
Symbol - Market Price	FUND
- NAV	XFUNX

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

TOP 10 POSITIONS % of Net Assets Applicable to Common Stockholders	
New Zealand Government 6.5% Bond	6.7%
Simpson Manufacturing	4.1
Alleghany Corporation	3.8
Schnitzer Steel Industries Cl. A	3.6
Glamis Gold	3.3
Bruker BioSciences	3.2

in turn hurt the stock prices of companies such as Goldcorp, but we held a significant position at June 30.

E*TRADE Financial 6% Cv.	3.2
Nu Skin Enterprises Cl. A	3.2
Input/Output	3.0
Florida Rock Industries	3.0

PORTFOLIO SECTOR BREAKDOWN
% of Net Assets Applicable to Common Stockholders

Industrial Products	20.0%
Natural Resources	19.1
Health	14.2
Financial Intermediaries	10.3
Industrial Services	7.0
Consumer Products	6.7
Technology	6.2
Financial Services	5.6
Consumer Services	4.5
Bonds	9.9
Treasuries, Cash & Cash Equivalents	22.7

CAPITAL STRUCTURE
Publicly Traded Securities Outstanding at 6/30/04 at NAV or Liquidation Value

9.8 million shares of Common Stock	$96 million
6.00% Cumulative Preferred Stock	$25 million

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

HISTORY SINCE INCEPTION

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

HISTORY		AMOUNT INVESTED	PURCHASE PRICE*	SHARES	NAV VALUE**	MARKET VALUE**
Royce Value Trust						
11/26/86	Initial Purchase	$ 10,000	$ 10.000	1,000	$ 9,280	$ 10,000
10/15/87	Distribution $0.30		7.000	42		
12/31/87	Distribution $0.22		7.125	32	8,578	7,250
12/27/88	Distribution $0.51		8.625	63	10,529	9,238
9/22/89	Rights Offering	405	9.000	45		
12/29/89	Distribution $0.52		9.125	67	12,942	11,866
9/24/90	Rights Offering	457	7.375	62		
12/31/90	Distribution $0.32		8.000	52	11,713	11,074
9/23/91	Rights Offering	638	9.375	68		
12/31/91	Distribution $0.61		10.625	82	17,919	15,697
9/25/92	Rights Offering	825	11.000	75		
12/31/92	Distribution $0.90		12.500	114	21,999	20,874
9/27/93	Rights Offering	1,469	13.000	113		
12/31/93	Distribution $1.15		13.000	160	26,603	25,428
10/28/94	Rights Offering	1,103	11.250	98		
12/19/94	Distribution $1.05		11.375	191	27,939	24,905
11/3/95	Rights Offering	1,425	12.500	114		
12/7/95	Distribution $1.29		12.125	253	35,676	31,243
12/6/96	Distribution $1.15		12.250	247	41,213	36,335
1997	Annual distribution total $1.21		15.374	230	52,556	46,814
1998	Annual distribution total $1.54		14.311	347	54,313	47,506
1999	Annual distribution total $1.37		12.616	391	60,653	50,239
2000	Annual distribution total $1.48		13.972	424	70,711	61,648
2001	Annual distribution total $1.49		15.072	437	81,478	73,994
2002	Annual distribution total $1.51		14.903	494	68,770	68,927
1/28/03	Rights Offering	5,600	10.770	520		
2003	Annual distribution total $1.30		14.582	516	106,216	107,339
2004	Year-to-Date distribution total $0.69		17.115	254		
6/30/04		**$21,922**		**6,491**	**$116,384**	**$114,307**
Royce Micro-Cap Trust						
12/14/93	Initial Purchase	$ 7,500	$ 7.500	1,000	$ 7,250	$ 7,500
10/28/94	Rights Offering	1,400	7.000	200		
12/19/94	Distribution $0.05		6.750	9	9,163	8,462
12/7/95	Distribution $0.36		7.500	58	11,264	10,136
12/6/96	Distribution $0.80		7.625	133	13,132	11,550
12/5/97	Distribution $1.00		10.000	140	16,694	15,593
12/7/98	Distribution $0.29		8.625	52	16,016	14,129
12/6/99	Distribution $0.27		8.781	49	18,051	14,769
12/6/00	Distribution $1.72		8.469	333	20,016	17,026
12/6/01	Distribution $0.57		9.880	114	24,701	21,924
2002	Annual distribution total $0.80		9.518	180	21,297	19,142
2003	Annual distribution total $0.92		10.004	217	33,125	31,311
2004	Year-to-Date distribution total $0.53		12.917	103		
6/30/04		**$ 8,900**		**2,588**	**$ 35,896**	**$ 34,679**
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	Year-to-Date distribution total $0.21		8.878	32		
6/30/04		**$ 4,375**		**1,377**	**$ 13,384**	**$ 11,994**

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

** Other than for initial purchase and June 30, 2004, values are stated as of December 31 of the year indicated, after reinvestment of distributions.

Distribution Reinvestment and Cash Purchase Options For Common Stockholders

Why should I reinvest my distributions?

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

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

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

How does this apply to registered stockholders?

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

What if my shares are held by a brokerage firm or a bank?

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

What other features are available for registered stockholders?

The Distribution Reinvestment and Cash Purchase Plans also allow registered stockholders to make optional cash purchases of shares of a Fund’s common stock directly through EquiServe on a monthly basis, and to deposit certificates representing your Fund shares with EquiServe for safekeeping. The Funds investment adviser is absorbing all commissions on optional cash purchases under the Plans through December 31, 2004.

How do the Plans work for registered stockholders?

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

How can I get more information on the Plans?

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

Directors And Officers

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

NAME AND POSITION: Charles M. Royce (64), Director* and President

Term Expires: 2006

Tenure: Since 1986 (RVT), 1993 (RMT), 1996 (FUND)

Number of Funds Overseen: 21

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) (since October 2001), the Trusts investment adviser.

NAME AND POSITION: Mark R. Fetting (49), Director*

Term Expires: 2004

Tenure: Since 2001

NAME AND POSITION: Arthur S. Mehlman (62), Director

Term Expires: 2004

Tenure: Since 2004

Number of Funds Overseen: 21

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

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

NAME AND POSITION: David L. Meister (64), Director

Number of Funds Overseen: 21

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

Principal Occupation(s) During Past Five Years: Executive Vice President of Legg Mason, Inc.; Member of Board of Managers of Royce (since October 2001); Division President and Senior Officer, Prudential Financial Group, Inc. and related companies, including Fund Boards and consulting services to subsidiary companies (from 1991 to 2000). Mr. Fetting's prior business experience includes having served as Partner, Greenwich Associates and Vice President, T. Rowe Price Group, Inc.

NAME AND POSITION: Donald R. Dwight (73), Director

Term Expires: 2005 **Tenure:** Since 1998

Number of Funds Overseen: 21 **Non-Royce Directorships:** None

Principal Occupation(s) During Past Five Years: President of Dwight Partners, Inc., corporate communications consultant; Chairman (from 1982 to March 1998) and Chairman Emeritus (since March 1998) of Newspapers of New England, Inc. Mr. Dwight's prior experience includes having served as Lieutenant Governor of the Commonwealth of Massachusetts, as President and Publisher of Minneapolis Star and Tribune Company, and as Trustee of the registered investment companies constituting the 94 Eaton Vance Funds.

NAME AND POSITION: Richard M. Galkin (66), Director

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

Number of Funds Overseen: 21 **Non-Royce Directorships:** None

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

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

Term Expires: 2005 (RVT), 2005 (RMT), 2004 (FUND) **Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)

Number of Funds Overseen: 21 **Non-Royce Directorships:** None

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

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

Term Expires: 2004 (RVT), 2004 (RMT), 2005 (FUND) **Tenure:** Since 2001 (RVT), 2001 (RMT), 1997 (FUND)

Number of Funds Overseen: 21 **Non-Royce Directorships:** None

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

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

Number of Funds Overseen: 21 **Non-Royce Directorships:** None

Principal Occupation(s) During Past Five Years: Chairman and Chief Executive Officer of The Tennis Channel (since June 2000). Chief Executive Officer of Seniorlife.com (from December 1999 to May 2000). Mr. Meister's prior business experience includes having served as a consultant to the communications industry, President of Financial News Network, Senior Vice President of HBO, President of Time-Life Films and Head of Broadcasting for Major League Baseball.

NAME AND POSITION: G. Peter O'Brien (58), Director

Term Expires: 2006 **Tenure:** Since 2001

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

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

NAME AND POSITION: John D. Diederich (53), Vice President and Treasurer
Tenure: Since 1997
Principal Occupation(s) During Past Five Years: Managing Director, Chief Operating Officer and Member of Board of Managers of Royce (since October 2001); Director of Administration of the Funds since April 1993.

NAME AND POSITION: Jack E. Fockler, Jr. (45), Vice President
Tenure: Since 1995 (RVT), 1995 (RMT), 1996 (FUND)
Principal Occupation(s) During Past Five Years: Managing Director and Vice President of Royce, having been employed by Royce since October 1989.

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

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

NAME AND POSITION: John E. Denneen (37), Secretary
Tenure: 1996-2001 and Since April 2002
Principal Occupation(s) During Past Five Years: General Counsel (Deputy General Counsel prior to 2003), Principal, Chief Legal and Compliance Officer and Secretary of Royce

business experience includes having served as Director of Financial Relations of SONAT, Inc., Treasurer of Ward Foods, Inc. and President of CFC, Inc.

(1996-2001 and since April 2002); Principal of Credit Suisse First Boston Private Equity (2001-2002).

* Interested Director.

Notes to Performance and Other Important Information

Proxy Voting Policies and Procedures

A copy of the policies and procedures that The Royce Funds use to determine how to vote proxies relating to portfolio securities is available, without charge, by calling 1-800-221-4268 (toll-free) and on The Royce Funds website at www.roycefunds.com. Beginning September 2004, information regarding how each of The Royce Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 will also be available without charge, by calling 1-800-221-4268 (toll-free), on the website of the Securities and Exchange Commission, at www.sec.gov, and on The Royce Funds website at www.roycefunds.com.

Authorized Share Transactions

Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may each repurchase up to 300,000 shares of its respective common stock and up to 10% of the issued and outstanding shares of each series of its preferred stock during the year ending December 31, 2004. Any such repurchases would take place at then prevailing prices in the open market or in other transactions. Common stock repurchases would be effected at a price per share that is less than the shares then current net asset value, and preferred stock repurchases would be effected at a price per share that is less than the shares liquidation value.

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

Forward-Looking Statements

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

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

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

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

Investment Policy Changes

The Funds Board of Directors has approved the following non-fundamental investment policy changes:

- Effective May 1, 2004, the Funds adjusted their definitions of small- and micro-cap securities. Accordingly, all companies with market capitalizations of less than $500 million are considered micro-cap, and all companies between $500 million and $2.5 billion are considered small-cap.
- Effective June 15, 2004, the amount of Royce Focus Trusts net assets that must normally be invested in equity securities was lowered from 75% to 65%.

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Schedules Of Investments And Other Financial Statements

Royce Value Trust, Inc.

Schedule of Investments June 30, 2004 (unaudited)

COMMON STOCKS 110.5%

	SHARES	VALUE		SHARES	VALUE

Royce Value Trust, Inc.

Schedule of Investments June 30, 2004 (unaudited)

	SHARES	VALUE		SHARES	VALUE

Royce Value Trust, Inc.

Schedule of Investments June 30, 2003 (unaudited)

	SHARES	VALUE		SHARES	VALUE

Royce Value Trust, Inc.

Schedule of Investments June 30, 2004 (unaudited)

	SHARES	VALUE		SHARES	VALUE