

ROYCE VALUE TRUST INC  
Form N-CSRS  
August 30, 2007

**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  June 30, 2007

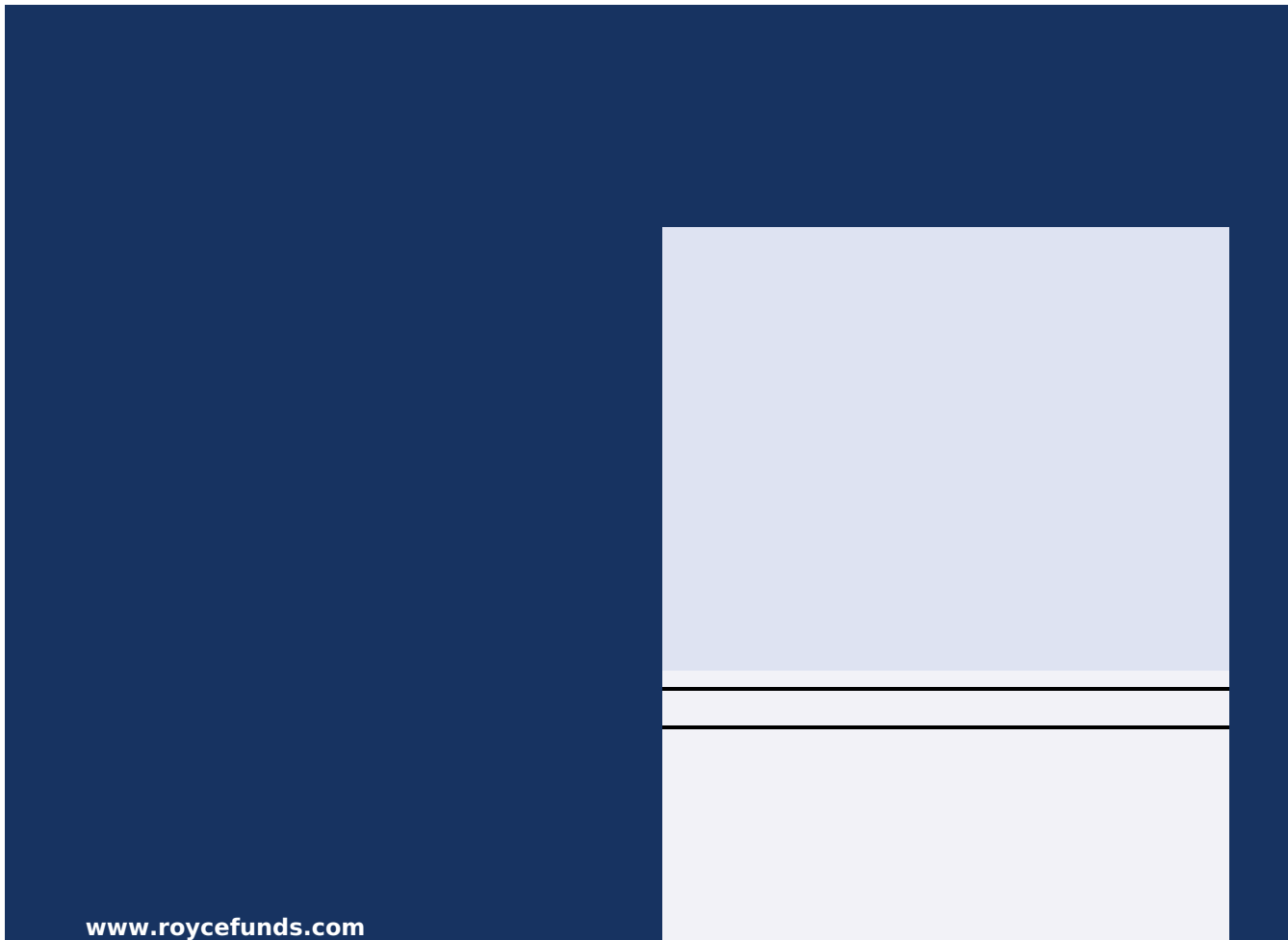
**Item 1. Reports to Shareholders**

Royce Value Trust

Royce Micro-Cap Trust

Royce Focus Trust

**SEMIANNUAL**  
**REVIEW AND**  
**REPORT**  
**TO STOCKHOLDERS**



## 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).



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### **Semiannual 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.*

This page is not part of the 2007 Semiannual Report to Stockholders | 1

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## Performance Table

### Average Annual NAV Total Returns

Through June 30, 2007

	Royce Value Trust	Royce Micro-Cap Trust	Royce Focus Trust	Russell 2000
<b>Second Quarter 2007*</b>	6.30%	4.39%	8.24%	<b>4.41%</b>
<b>Year-to-Date 2007*</b>	9.83	9.23	15.94	<b>6.45</b>
<b>One-Year</b>	19.70	19.87	24.26	<b>16.43</b>
<b>Three-Year</b>	16.39	16.08	21.31	<b>13.45</b>
<b>Five-Year</b>	15.46	16.54	21.57	<b>13.88</b>
<b>10-Year</b>	13.63	14.34	14.16	<b>9.06</b>
<b>15-Year</b>	14.45	n/a	n/a	<b>11.92</b>
<b>20-Year</b>	13.01	n/a	n/a	<b>10.10</b>
<b>Since Inception</b>	13.17	14.76	15.22	□
<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. Performance information does not reflect the deduction of taxes that a stockholder would pay on distributions or on the sale of Fund shares. 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 June 30, 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 June 30, 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.

## Letter to Our Stockholders

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### Rolling Stone Blues

At first blush, the mid-point of 2007 looked very similar to the end of 2006. The economy's condition was mostly positive, interest rates remained low and global liquidity levels remained flush following some vexing signs of contraction earlier in the year. The stock market kept moving mostly upwards, and the long bull market for small-caps in particular showed few signs of slowing down prior to July of this year. What's new for 2007 is that larger companies have emerged in the short run as market leaders, though the margin of outperformance versus small-cap both year-to-date and for the one-year period ended June 30 was not enormous. Within small-cap, there has been a move toward larger, arguably higher-quality companies that's distinct from the generally better returns achieved by more speculative issues in 2006. The overall direction remained positive for smaller companies, as it did for stocks as a whole. Equity investors continued to benefit from a remarkable run that included more of the overall market than is usually thought, small-cap having long since stolen the headlines from its larger peers as *The Only Asset Class Worth Owning* in some quarters.

Like the Rolling Stones, the bull market just kept going and going and going, almost automatic in its overall upward movement, its success seemingly taken for granted, with so many investors sure that the big hits would not fade away. As value investors, prone to a cautious, if not pessimistic, temperament, this blissful confidence on the part of certain observers was the object of our skepticism. Our view for the past few years has been that the bull market is nearly out of time. Although the market has so far seen fit to prove us wrong (though July's correction could be a sign of things to come), we remain convinced

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One of the advantages of employing an all-weather strategy to select smaller company stocks is that we continue to do what we have always done regardless of the market's behavior. When smaller company stock prices were on the rise, it was more challenging to find the compelling values that have always been our stock in trade, but the search goes on whether the overall small-cap market is moving up or down.

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## Letter to Our Stockholders

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that a more historically typical correction of 15% or better is in the near future for smaller companies. The positive-performance phase that began in the fall of 2002 was interrupted by only two corrections in the 10%-14% range—one in 2004-5 and another in 2006—and a handful of others that were shy of double digits. To paraphrase the poet, the course of true market cycles never did run smooth. At least not as smooth as this current cycle. And to us, this was a warning. As we saw in July, when stock prices fell harder than they did during any other month this year, things can change very quickly. **Along with our belief in regression to the mean, our conviction that markets are inherently cyclical is too firm to counter any temptation to abandon the lessons of history.**

As active small-cap managers with large stakes throughout the small-cap universe, perhaps we should be more consistently happy with a market that before July had been gathering no moss and few, if any bears. Maybe we should try a little harder to relax and simply enjoy the good times. Make no mistake, we are mostly very pleased—and more than happy to reap the benefits of the robust returns that smaller stocks have been providing since the most recent small-cap market trough in October 2002. However, as the small-cap bull stampeded its way toward a fifth full year, we were also in the midst of our own 19th Nervous Breakdown (and at least as many bear market predictions) as we awaited what seemed to us an inevitable small-cap downturn. Even as the market was swaying to higher and higher levels, we could not escape the nagging and persistent reality that historically strong bull markets often give way to serious corrections, and the longer the good times last, the more likely it seems that the bear's bite will be

***Over the past decade or so the growth in the number and variety of equity market indices has been explosive. Russell, Standard & Poor's (S&P), Wilshire, and Barra have all become accepted names in the equity world with stables of various indices. Considering the burgeoning number and scope of equity market indices, it is critical that investors better understand the composition, attribution and construction methodology among similar equity market indices.***

***As the Standard & Poor's 500 index recently celebrated its 50th anniversary, we thought that it might be helpful to delve into the particulars of the more prominent small-cap indices, and how we at***



**The Royce Funds view them. Two of the most prominent are the Russell 2000 and the S&P SmallCap 600, both widely accepted benchmarks for small-cap equities. Yet each is different in composition, attribution and construction methodology.**

**The Russell 2000 index is the oldest dating back to 1979 and broadest of the two small-cap indices. It measures the performance of the 2,000 smallest companies in the Russell 3000 Index (which represents 99% of the U.S.**

*Continued on [page 6...](#)*

deep. Of course, one of the advantages of employing an all-weather strategy to select smaller company stocks is that we continue to do what we have always done regardless of the market's behavior. When smaller company stock prices were on the rise, it was more challenging to find the compelling values that have always been our stock in trade, but the search goes on whether the overall small-cap market is moving up or down.

#### **It's All Over Now**

If our call for overall lower returns has not yet panned out, and our prediction of a small-cap correction has thus far proved at best premature, we can take a small measure of comfort for

our forecasting acumen in the emergence of large-cap as a market leader, a development we thought first looked likely by the beginning of 2006. As usually happens, the case for large-cap leadership took on a certain inevitability only with the gift of hindsight. In 2005, the large-cap S&P 500 and the small-cap Russell 2000 finished the year with near-identical results—the S&P 500 was up 4.9% while the Russell 2000 gained 4.6%. The large-cap index relinquished the performance crown in 2006 (+15.8% versus 18.4%), but small-cap regained its edge mostly through the courtesy of a torrid first quarter and a strong fourth quarter. In both 2006's bearish second quarter and flat-to-down third quarter, the S&P 500 beat the Russell 2000, events we regarded as especially telling of a shift to large-cap leadership. That third-quarter outperformance (+5.7% versus +0.4%) was the key to giving the large-cap index an edge for the second half of 2006; it also contributed to large-cap outgaining small-cap for the one-year period ended 6/30/07, up 20.6% versus 16.4%.

Two thousand seven has been different in terms of its first-half performance patterns, yet the end result through the end of June showed the S&P 500 ahead of its small-cap counterpart. During this year's first quarter, a period that was positive for almost every segment of the stock market save certain small-cap growth companies and many micro-cap stocks, the S&P 500 gained a paltry 0.6% versus 2.0% for the Russell 2000. (The Nasdaq Composite, meanwhile, managed a 0.3% gain.) The second quarter saw higher returns spread more consistently throughout the market. Large-cap led small-cap, with the S&P 500 up 6.3% versus 4.4% for its small-cap sibling, while the Nasdaq Composite led both indices with a gain of 7.5%. For the year-to-date period ended 6/30/07, the Nasdaq Composite actually led, its 7.8% gain ahead of the S&P 500's 7.0% return and the Russell 2000's 6.5% showing.

**These first-half results, as well as the large- and small-cap indices' one-year returns, were consistent with our thought that when large-cap stocks did finally assume a leadership role, the margin of outperformance would be slight.** We remain committed to the idea that large-cap's stay at the top should be brief, as frequent leadership rotation seems likely to roll on. Considering the recent status of large-cap's leadership, it should come as no surprise that the long-term performance edge remained with smaller companies. The Russell 2000 outpaced the S&P 500 for the three-, five-, 10- and 15-year periods ended 6/30/07. In addition, the small-cap index outgained its large-cap counterpart in two-thirds of the S&P 500's positive quarters in each three-, five- and 10-year period ended 6/30/07.

### Not Fade Away

During the first half, a similar shift in leadership arrived via a different route between value and growth within small-cap. The Russell 2000 Value index had maintained a near-

We have been less focused on the leadership issue within small-cap than we are in the wider worlds of small- and large-cap in part because we do not limit ourselves in the broad small-cap universe by attaching labels to stocks such as "value" or "growth."

equity market) and accounts for approximately 8% of the total market capitalization of the larger Russell index. As of the end of June 2007, the median market cap of the Russell 2000 was \$695 million. The largest company by market cap in the index was \$3.3 billion and the smallest was \$125 million. Companies with market capitalizations in excess of \$2.5 billion represented 6% of the index, while micro-caps, which Royce defines as companies with market capitalizations less than \$500 million, comprised roughly 13% of the index. In terms of attribution, Financial Services represented the largest sector weight in the index at the end of June 2007, at 22.6%. Industrials (autos and transportation, materials and processing and producer durable) and Consumer Discretionary followed, with weightings of 21.5% and 19.2%, respectively.

Introduced in 1994, the S&P SmallCap 600 is more concentrated than the Russell 2000, consisting of 600 names that cover approximately 3% of the domestic equity market.

## Letter to Our Stockholders

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stranglehold on small-cap leadership until the first quarter of 2007, when it slipped under the thumb of its small-cap growth sibling. During both the first quarter (+1.5% versus +2.5%) and second quarter (+2.3% versus +6.7%), the Russell 2000 Value index lost ground to the Russell 2000 Growth index. Interestingly for us, value also underperformed growth from the interim small-cap peak on 2/22/07 through 6/30/07, down 0.8% compared to a gain of 2.9%. This consistent underperformance, even during the year's more volatile periods, not only put small-cap value in second place for the year-to-date period ended 6/30/07 (+3.8% versus +9.3%), it also cost small-cap value the performance edge for the most recent 12-month period. For the one-year period ended 6/30/07, the Russell 2000 Value index was up 16.1% versus 16.8% for the Russell 2000 Growth index.

Paralleling the performance patterns of small-cap versus large-cap, the Russell 2000 Value index maintained its lead over the Russell 2000 Growth index for longer-term periods. It bested small-cap growth for the three-, five-, 10-, 15-, 20- and 25-year periods ended 6/30/07. **A critical element in this performance edge came from small-cap value's better performance during the nearly five-year bull-market period following the small-cap market trough in October 2002, and from its superior results from the previous small-cap market peak on 3/9/00 through 6/30/07.** What gives us some pause about the current period is the relative strength of small-cap growth in the more volatile period from that February 2007 interim peak. This is in stark contrast to 2006, a period in which small-cap value beat small-cap growth in up, down and more mixed quarters. However, we have been less focused on the leadership issue within small-cap than we are in the wider worlds of small- and large-cap in part because we do not limit ourselves in the broad small-cap universe by attaching labels to stocks such as "value" or "growth."

Cool, Calm & Collected

***The median market cap of the S&P SmallCap 600 was \$820 million as of the end of June 2007. The largest company by market cap in the index was \$5.0 billion and the smallest was \$70 million. Companies with more than \$2.5 billion in market cap comprised approximately 7%, while micro-caps represented 20% of the overall index. Industrials (materials and processing and producer durable) represented the largest sector weighting in the index at 19.1%, followed by Information***

***Continued on [page 8](#)...***

Another reason for our bemusement is rooted in our own Funds' recent results. While the Russell 2000 Value index was dominating small-cap performance in 2006, our closed-end portfolios were underperforming the small-cap value index. Yet during the first half of 2007, these same portfolios each outperformed the Russell 2000 Value Index on a net asset value (NAV) basis. So it would seem that the distinctions between small-cap value and growth stocks being drawn by the wider world may no longer be as significant as they were also even a few years ago. All three portfolios were also ahead of their small-cap benchmark, the Russell 2000, for the year-to-date period ended 6/30/07 on an NAV basis, and each outpaced the small-cap index on both an NAV and market price basis for the 12 months ended 6/30/07. When we turn to the long view, the news becomes even better. **Each of our closed-end Funds outperformed the Russell 2000 from the previous small-cap market peak on 3/9/00 through 6/30/07 and from the small-cap market**

**trough on 10/9/02 through 6/30/07. In addition, each closed-end Royce Fund outgained the Russell 2000 for the three-, five- and 10-year periods ended 6/30/07 on both an NAV and market price basis.**

**First-half strength came from holdings in several sectors, but the leader in each portfolio was the Industrial Products sector.** It prevailed in part owing to the success of certain holdings. Synalloy Corporation was a top performer on a dollar basis in Royce Value Trust and Royce Micro-Cap Trust, while Florida Rock Industries and IPSCO dominated dollar-based gains in Royce Focus Trust. Holdings in Natural Resources and Technology were generally solid as well. Although micro-cap stocks finished the first half trailing their larger small-cap peers, any ill effects scarcely registered in the Funds' first-half returns. We were therefore generally pleased with the Funds' first-half returns, especially in a market climate that has made it more and more challenging to find the sort of attractive values that we like.

The popularity of ETFs and other index-based investments has played an important role in helping small-cap to be taken more seriously as an asset class. We also think that the related success of small-cap value approaches has been a factor in this growing esteem because a large number of investors saw that you could invest in small-cap stocks or indices with attractively low volatility scores.

### You Can't Always Get What You Want

Indeed, the reality of small-cap's status as a permanent, professional asset class—something that we are happy to report does not seem likely to change, even in the event of a correction more severe than what we think is probable—cuts both ways for us. The popularity of ETFs and other index-based investments has played an important role in helping small-cap to be taken more seriously as an asset class. We also think that the related success of small-cap value approaches has been a factor in this growing esteem because a large number of investors saw that you could invest in small-cap stocks or indices with attractively low volatility scores. However, this has also created new tests for our purchase habits, in which we seek high-quality companies selling for bargain prices.

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**Technology at 17.1%, and Financial Services at 15.8% at the end of June 2007.**

**Another important difference between the two indices is the respective construction methodology. The S&P SmallCap 600 is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable. Inclusion in the index is determined subjectively by the S&P Index Committee, which adds new stocks to the index based not only on size, but also on financial viability, liquidity, adequate float size and other trading requirements.**

**In contrast, the Russell 2000 is more objective in nature; it has no committee to determine membership and stresses the need to accurately represent the market as it is. Kelly Haughton, strategic director for the Russell Indices, believes that the market should decide which stocks belong in an index, especially if the index is to provide an unbiased benchmark for measuring the results of money managers' investment decisions.**

**With differing composition, attribution and construction, performance can also vary dramatically. In fact, examining the annual performance of the two indices over the past 10 years shows that the spread has been as wide as 1400 basis points in a single calendar year. Still, we think that the Russell 2000 and the Standard & Poor's SmallCap 600 Index are reasonable proxies of the small capitalization world.**

## Letter to Our Stockholders

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Unquestionably, in our view, the major player in the extension of the small-cap bull market has been the vast amount of global liquidity. The world has been awash with capital looking for a profitable home, and that's been an enormous factor in keeping stock prices afloat. Many of the investment vehicles that have become increasingly better known—not just ETFs, but hedge funds, as well as merger and acquisition (M&A) and private equity activity—have been fueled to some degree by the large amounts of cash circling the globe. Global liquidity has worked to make M&As, leveraged buyouts and privatizations increasingly commonplace in the financial marketplace. The United States is in the midst of a mega-merger wave, with the number and size of the transactions exploding. **During the first half of 2007, 15 companies in the S&P 500 announced takeovers, while 111 companies in the Russell 2000**



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**had deals pending. Equally important, the trend has shown no signs of slowing down within the small-cap world.**

**However mindful of the significance of these figures, we still do not believe that the extraordinary amount of global liquidity changes the rules of the road in the U.S. equity market, at least over the long run.** Cyclicalities remain the norm. Today's small-cap market is no different than large-cap was during the '90s. Global liquidity has extended

a wonderful bull market, but it cannot save the market from history, which means that sooner or later, the good times will end. Smaller companies have been, and will continue to be, the target of private equity funds and larger companies flush with cash. Although it's clear that M&A activity is not the primary driver of long-term performance, it has already had a hand in the extended run for a small-cap bull market. **Yet once the bull market for acquisitions ends, the softening in demand could precipitate a more widespread correction in the very market whose bullish phase it helped to extend in the first place.**

We have never allowed our thoughts on the short- or intermediate-term forecasts for the market to cloud our stock selection process. Regardless of where we think the market may be headed next, the search for great values in smaller stocks goes on...

### Time Is On Our Side

As we look forward, we almost find ourselves wishing for a serious, though short-lived, correction for smaller stocks. We are still buying mostly on short-term dips, which typically do not yield the sort of absolute value that we would ideally prefer. Our goal is to be fully invested, but with purchase decisions becoming harder and harder, it has not been easy. Yet that is the reality of the current market (at least as of this writing), so we make our adjustments and deal with what we have on a daily basis. And even as we remain highly concerned about a correction for smaller companies, we are also confident about the long-term prospects for our chosen asset class. Whether or not a decidedly bearish July marked the beginning of a correction, we are still managing our portfolios with a long-term outlook and an absolute return bias. We have never allowed our thoughts on the short- or intermediate-term forecasts for the market to cloud our stock selection process. Regardless of where we think the market may be headed next, the search for great values in smaller stocks goes on, with the thought that our Funds can provide the kind of terrific long-term absolute returns that help our shareholders to build wealth.

Sincerely,

Charles M. Royce  
*President*  
July 31, 2007

W. Whitney George  
*Vice President*

Jack E. Fockler, Jr.  
*Vice President*



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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: 67 | Number of Funds Overseen: 25 | 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: 52 | Number of Funds Overseen: 41 | Tenure:  
Since 2001

Non-Royce Directorships: Director/Trustee of registered  
investment companies constituting the 16 Legg Mason  
Funds.

Principal Occupation(s) During Past Five Years: Senior  
Executive Vice President of Legg Mason, Inc.; Member  
of Board of Managers of Royce. Mr. Fetting□s prior  
business experience includes having served as 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: 25 | 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: 25 | 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.

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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).

[Stephen L. Isaacs, Director](#)

Age: 67 | Number of Funds Overseen: 25 | 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: 72 | Number of Funds Overseen: 25 | 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 16 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: 67 | Number of Funds Overseen: 25 | 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). 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.

[G. Peter O'Brien, Director](#)

Age: 61 | Number of Funds Overseen: 41 | Tenure: Since 2001

Non-Royce Directorships: Director/Trustee of registered investment companies constituting the 16 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: 55 | 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: 48 | 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: 47 | 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 6/30/07

Second Quarter 2007*	6.30%
Jan - June 2007*	9.83
One-Year	19.70
Three-Year	16.39
Five-Year	15.46
10-Year	13.63
15-Year	14.45
20-Year	13.01
Since Inception (11/26/86)	13.17

\* Not annualized.

**CALENDAR YEAR NAV TOTAL RETURNS**

Year	RVT	Year	RVT
2006	19.5%	1997	27.5%
2005	8.4	1996	15.5
2004	21.4	1995	21.1
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
1998	3.3	1989	18.3

**TOP 10 POSITIONS**

% of Net Assets Applicable  
to Common Stockholders

AllianceBernstein Holding L.P.	2.3%
Ritchie Bros. Auctioneers	1.5
Sotheby's Cl. A	1.4
Universal Compression Holdings	1.3
Lincoln Electric Holdings	1.1
SEACOR Holdings	1.1
PAREXEL International	1.0
Ash Grove Cement Cl. B	1.0
Brady Corporation Cl. A	0.9
Adaptec	0.8

**PORTFOLIO SECTOR BREAKDOWN**

% of Net Assets Applicable  
to Common Stockholders

Technology	23.4%
Industrial Products	16.6
Industrial Services	11.0
Financial Intermediaries	10.8
Natural Resources	9.6
Financial Services	8.5
Health	6.8
Consumer Services	5.6
Consumer Products	4.8
Utilities	0.2
Diversified Investment Companies	0.1
Miscellaneous	2.2

Bonds and Preferred Stocks	0.2
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Cash and Cash Equivalents	17.5
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## Royce Value Trust

### Manager's Discussion

Royce Value Trust's (RVT) diversified portfolio of small- and micro-cap stocks posted solid results during the first half of 2007. **For the year-to-date period ended 6/30/07, the Fund was up 9.8% on a net asset value (NAV) basis and 0.6% on a market price basis versus a 6.5% return for the Russell 2000 and 8.6% for the S&P 600.** For the first quarter, the Fund returned 3.3% on an NAV basis, and 1.5% on a market price basis compared with 2.0% and 3.2% for the Russell 2000 and S&P 600, respectively. The Fund's NAV results were also strong in the second quarter, with RVT posting a 6.3% gain compared with 4.4% and 5.3% for the Russell 2000 and S&P 600, while on a market price basis, the Fund disappointed, losing 0.8%.

RVT demonstrated strong absolute and relative results over market-cycle and other long-term periods. From the small-cap market peak on 3/9/00 through 6/30/07, RVT gained 154.2% on an NAV basis, versus 50.8% for the Russell 2000 and 106.4% for the S&P 600. During the mostly bullish phase from the small-cap market trough on 10/9/02 through 6/30/07, the Fund was up 189.4% compared to a gain of 169.9% for the Russell 2000 and 164.7% for the S&P 600. Fortunately, market-price performance difficulties during the first half did little to hurt performance over more extended periods. On both an NAV and market price basis, RVT held a performance advantage over both benchmarks for the one-, three-, five-, 10-, 15-, 20-year, and since inception (11/26/86) periods ended 6/30/07. **RVT's average annual NAV total return since inception was 13.2%.**

Positive performances could be found throughout RVT's portfolio, with the Industrial Products sector leading the way in dollar-based net gains. The worldwide boom in large-scale infrastructure construction,

GOOD IDEAS THAT WORKED	
Net Realized and Unrealized Investment Return*	
Year-to-Date Through 6/30/07	
Sotheby's Cl. A	\$ 6,976,529
Synalloy Corporation	6,707,090
PAREXEL International	4,106,333



particularly in China, seems to be changing the business cycle. Many traditionally cyclical industries are morphing into high-growth areas with rapidly increasing demand for their shares. It's a situation that we will continue to watch, as industrial companies have historically been well-represented in the portfolio. The Fund's second-best performer in the first half of 2007, Synalloy, hails from	ITT Educational Services	4,080,800
	AllianceBernstein Holding L.P.	3,024,548

\*Includes dividends

the Industrial Products sector in the top-performing construction materials industry. This conservatively capitalized pipe and piping systems maker saw its share price climb (before cooling off a bit toward the end of June) owing to ongoing earnings strength. We began to reduce our position in May.

#### **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-cap and 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. The Russell 2000 is an unmanaged index of domestic small-cap common stocks.**

## Performance and Portfolio Review

Other strong gainers in the sector included Lincoln Electric Holdings, Peerless Manufacturing Company, Kaydon Corporation and Florida Rock Industries, a takeover target that we have owned in the portfolio since 1986.

There were also notable successes outside of Industrial Products. We have held a position in Sotheby's, the Fund's top performing holding in the first half, since 1990. First and second quarter earnings strength helped the share price for this leading auction house to climb, and we trimmed our position in February and April. Impressive net gains also came from PAREXEL International, a company we have owned since 1998. This bio-pharmaceutical services company 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 in the first half. Having recently celebrated its 25th anniversary in business, its standing as a long-term success in a volatile industry may also have helped.

### GOOD IDEAS AT THE TIME Net Realized and Unrealized Investment Loss\* Year-to-Date Through 6/30/07

Opteum Cl. A	\$4,334,925
Newport Corporation	3,239,334
Kimball International Cl. B	2,893,948
First Consulting Group	2,389,434
Adaptec	2,196,485

\*Includes dividends

and consistent dividend. Although the firm was among the Fund's top performers in 2006, its stock price slipped in the first half. We reduced our position in February.

Although every sector posted net gains, even the best performing periods have their blemishes. The slumping housing market and the related implosion of the subprime mortgage industry spelled trouble for real estate investment trusts such as Opteum. The departure of some of its veteran executives did little to help. Newport Corporation, which makes laser based products, saw its price slide throughout the first half. The firm reported lower-than-expected first-quarter profits that were especially acute in its laser

### PORTFOLIO DIAGNOSTICS

division. Kimball International, which manufactures wood furniture, cabinets and electronic assembly products, is a company that we have owned in RVT's portfolio since 1986. We have long liked its low debt

Average Market Capitalization	\$1,254 million
Weighted Average P/E Ratio	21.0x
Weighted Average P/B Ratio	2.5x
Weighted Average Yield	0.9%
Fund Net Assets	\$1,270 million
Turnover Rate	5%
Net Leverage*	0%
Symbol	RVT
Market Price	XRVTX
NAV	

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

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

#### CAPITAL STRUCTURE

Publicly Traded Securities Outstanding at 6/30/07 at NAV or Liquidation Value

58.5 million shares of Common Stock	\$1,270 million
5.90% Cumulative Preferred Stock	\$220 million

#### RISK/RETURN COMPARISON

Five-Year Period Ended 6/30/07

	Average Annual Total Return	Standard Deviation	Return Efficiency*
<b>RVT (NAV)</b>	<b>15.46%</b>	<b>16.12</b>	<b>0.96</b>
S&P 600	14.38	14.85	0.97
Russell 2000	13.88	16.47	0.84

\*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 6/30/07

Second Quarter 2007*	4.39%
Jan-June 2007*	9.23
One-Year	19.87
Three-Year	16.08
Five-Year	16.54
10-Year	14.34
Since Inception (12/14/93)	14.76

\*Not annualized.

**CALENDAR YEAR NAV TOTAL RETURNS**

Year	RMT	Year	RMT
2006	22.5%	1999	12.7%
2005	6.8	1998	-4.1
2004	18.7	1997	27.1
2003	55.6	1996	16.6
2002	-13.8	1995	22.9
2001	23.4	1994	5.0
2000	10.9		

**TOP 10 POSITIONS**

% of Net Assets Applicable to Common Stockholders

Seneca Foods	1.3%
Highbury Financial	1.2

MVC Capital	1.1
Sapient Corporation	1.1
Edge Petroleum	1.0
Pegasystems	1.0
PAREXEL International	0.9
Transaction Systems Architects Cl. A	0.9
Pason Systems	0.9
Weyco Group	0.9

**PORTFOLIO SECTOR BREAKDOWN**

% of Net Assets Applicable  
to Common Stockholders

Technology	23.4%
Health	14.2
Industrial Products	14.2
Industrial Services	12.9
Financial Intermediaries	10.7
Natural Resources	10.4
Consumer Products	5.0
Consumer Services	4.6
Financial Services	4.2
Diversified Investment Companies	1.4
Miscellaneous	2.7
Preferred Stocks	1.5
Cash and Cash Equivalents	11.1

## Royce Micro-Cap Trust

### Manager's Discussion

Royce Micro-Cap Trust's diversified portfolio of diminutive companies fared well in the first half on both an absolute and relative basis. **For the year-to-date period ended 6/30/07, the Fund gained 9.2% on a net asset value (NAV) basis, though on a market price basis it lost 2.9%, versus a return of 6.5% for its small-cap benchmark, the Russell 2000.** The Fund's strong absolute and relative NAV showing was consistent during the first half of 2007. RMT gained 4.6% in the first quarter versus 2.0% for the Russell 2000, while the Fund was down 0.7% on a market price basis. On an NAV basis, the Fund matched the gain of its benchmark in the second quarter, each up 4.4%, though its market price result was again disappointing, down 2.2%.

The Fund's market price struggles during the first half represented a cooling off after a terrific performance in 2006. Its poor first half fortunately did little harm to its long-term returns. From the previous small-cap market peak on 3/9/00 through 6/30/07, RMT was up 170.0% on a net asset value basis, and 223.0% on a market price basis, compared to the Russell 2000's 50.8% gain. During the more dynamic upswing from the small-cap market trough on 10/9/02 through 6/30/07, RMT gained 212.6% on an NAV basis and 243.3% on a market price basis, versus 169.9% for the small-cap benchmark. The Fund's returns during these market cycle periods were equally impressive on an absolute basis, something of greater importance to us, as much as we like to beat our benchmark. On both an NAV and market price basis, RMT outperformed the Russell 2000 for the one-, three-, five-, 10-year and since inception (12/14/93) periods ended 6/30/07. **The Fund's average annual NAV total return since inception was 14.8%.**

One interesting development that we saw over the last several months has been a performance disparity within the micro-cap sector. Roughly coinciding with the move to higher quality that we have observed in the upper tier of the small-cap world has been better performance from larger, more established micro-cap companies. This benefited the Fund in the first half of 2007, as RMT's average market

#### GOOD IDEAS THAT WORKED

Net Realized and Unrealized Investment Return\*  
Year-to-Date Through 6/30/07

Synalloy Corporation	\$ 2,353,845
The Geo Group	1,560,339
PAREXEL International	1,541,307
Covansys Corporation	1,474,748
CMG Information Services	1,457,136

\*Includes dividends

capitalization of \$290 million at the end of June leaned toward the higher range of the micro-cap world. Of course, we always seek quality in our portfolio selections even as we're aware that the micro-cap segment is only gradually finding acceptance as an area in which quality can be reliably found.

#### **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. The Russell 2000 is an unmanaged index of domestic small-cap common stocks.**



## Performance and Portfolio Review

The Industrial Products sector led the way during the first half in terms of dollar-based net gains. The ongoing worldwide boom in large-scale infrastructure construction, particularly in China, has made industrial companies, historically well-represented in the portfolio, highly desirable. The Fund's top performer came from the sector. Synalloy is a conservatively capitalized pipe and piping services business that saw its share price increase driven by ongoing earnings strength before it cooled off a bit toward the end of June. We reduced our position in February and June. Holdings in machinery and other industrial products also posted strong first-half gains.

We have owned shares of privatized correctional and detention management company Geo Group, since January 2000. Its business grew during the first half—allowing the company to reduce its debt—and its stock split early in June, which helped its share price to break out while leading us to reduce our position later that same month. We have owned bio-pharmaceutical services company PAREXEL International in RMT's portfolio since 1999. Growing business and strong earnings helped its stock price to climb. Its standing as a long-term success in an otherwise volatile industry may also have helped. We reduced our position in June.

### GOOD IDEAS AT THE TIME Net Realized and Unrealized Investment Loss\* Year-to-Date Through 6/30/07

First Consulting Group	\$1,159,112
Opteum Cl. A	943,260
CorVel Corporation	859,879
Volt Information Sciences	793,760
Allied Defense Group	744,541

\*Includes dividends

Even during positive performance periods, there are a few disappointments. Healthcare consultant First Consulting Group lost a customer that brought in about 10% of the firm's business. After others had sold on this news, we increased our position based on the strength of the firm's balance sheet, improving returns on capital and a series of promising acquisitions. Real

estate investment trusts suffered from the slumping housing market and the subprime mortgage industry crisis during the first half of 2007. Opteum, which we have owned since 2005, was no exception, and the firm's problems were exacerbated by the departure of some veteran executives. Its share price

dropped dramatically, and while that did not deliver positive results in the short run, we saw enough promise in the company to justify adding to our position.

#### PORTFOLIO DIAGNOSTICS

Average Market Capitalization	\$290 million
Weighted Average P/E Ratio	20.6x*
Weighted Average P/B Ratio	2.1x
Weighted Average Yield	0.7%
Fund Net Assets	\$369 million
Turnover Rate	19%
Net Leverage <sup>□</sup>	5%
Symbol	
Market Price	RMT
NAV	XOTCX

\*Excludes 22% of portfolio holdings with zero or negative earnings as of 6/30/07.

<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.

**CAPITAL STRUCTURE**

Publicly Traded Securities Outstanding  
at 6/30/07 at NAV or Liquidation Value

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23.8 million shares of Common Stock	\$369 million
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6.00% Cumulative Preferred Stock	\$60 million
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**RISK/RETURN COMPARISON**

Five-Year Period Ended 6/30/07

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	<b>Average Annual Total Return</b>	<b>Standard Deviation</b>	<b>Return Efficiency*</b>
<b>RMT (NAV)</b>	<b>16.54%</b>	<b>17.02</b>	<b>0.97</b>
Russell 2000	13.88	16.47	0.84

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\*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 6/30/07

Second Quarter 2007*	8.24%
Jan-June 2007*	15.94
One-Year	24.26
Three-Year	21.31
Five-Year	21.57
10-Year	14.16
Since Inception (11/1/96) <sup>□</sup>	15.22

\* Not annualized.

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

**CALENDAR YEAR NAV TOTAL RETURNS**

Year	FUND	Year	FUND
2006	15.9%	2001	10.0%
2005	13.3	2000	20.9
2004	29.2	1999	8.7
2003	54.3	1998	-6.8
2002	-12.5	1997	20.5

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

Australia Government 7.50% Bond	4.7%
New Zealand Government 6.00% Bond	4.2
Ivanhoe Mines	3.5
Unit Corporation	3.5

Schnitzer Steel Industries Cl. A	3.3
Reliance Steel & Aluminum	3.1
Thor Industries	3.0
Knight Capital Group Cl. A	2.9
Lincoln Electric Holdings	2.9
KKR Financial Holdings	2.7

#### PORTFOLIO SECTOR BREAKDOWN

% of Net Assets Applicable  
to Common Stockholders

Natural Resources	24.7%
Industrial Products	21.8
Technology	6.6
Consumer Products	6.6
Industrial Services	6.3
Financial Intermediaries	5.6
Health	5.1
Consumer Services	4.2
Financial Services	1.2
Bonds	8.9
Cash and Cash Equivalents	22.8

## Royce Focus Trust

#### Manager's Discussion

Royce Focus Trust (FUND) made its way successfully through the pleasantly buoyant waters of 2007's first half, with notable results on both an absolute and relative basis. **The Fund posted dynamic**

**year-to-date returns, up 15.9% on a net asset value (NAV) basis and 8.6% on a market price basis, in both instances ahead of FUND's small-cap benchmark, the Russell 2000, which was up 6.5% for the same period.** Results were positive throughout the year's first six months. In the first quarter, the Fund was up 7.1% on a net asset value (NAV) basis, and 7.4% on a market price basis, both results well out in front of the small-cap index, which was up 2.0%. During the second quarter, the Fund again outpaced the benchmark on an NAV basis, up 8.2% versus 4.4%, while its return on a market price basis was 1.2%.

As gratifying as recent short-term outperformance was, it remains the case that the Fund's market cycle and other long-term periods offer what we believe is the best gauge of its strength. We were very pleased, then, that FUND maintained its longstanding record of strong absolute performances over these time periods. From the previous small-cap market peak on 3/9/00 through 6/30/07, FUND was up 248.4% and 327.3% on NAV and market price bases, respectively, versus a 50.8% result for the small-cap index.

The Fund also beat the Russell 2000 during the mostly bullish phase from 10/9/02 through 6/30/07, gaining 266.3% on an NAV basis and 298.4% on a market price basis, while the Russell 2000 gained 169.9% for the same period. These strong market cycle results were a key factor 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 outpaced the index for the one-, three-, five-, 10-year and since-inception of our

**GOOD IDEAS THAT WORKED**  
 Net Realized and Unrealized  
 Investment Return\*  
 Year-to-Date Through 6/30/07

IPSCO	\$3,396,454
Florida Rock Industries	2,290,728
Tesco Corporation	1,996,506
Ivanhoe Mines	1,984,500
Reliance Steel & Aluminum	1,704,000

\*Includes dividends

management periods ended 6/30/07. FUND's average annual NAV total return since the inception of our management (11/1/96) was 15.2%.

Although there were plenty of positive performances in the portfolio during the first half, the strongest dollar-based net gains came from the Industrial Products and Natural Resources sectors. The Fund's top two performers, IPSCO and Florida Rock Industries, were Industrial Products holdings. 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

#### **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. The Russell 2000 is an unmanaged index of domestic small-cap common stocks.**

## Performance and Portfolio Review

company was acquired by a larger competitor at a substantial premium. We finished selling our stake in April. The firm was consistently attractive to us as a conservatively capitalized, well-run business in a cyclical industry that has historically garnered attention from value investors. 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.

Within Natural Resources, Tesco Corporation, which designs and manufactures oilfield products such as drilling and hydraulic systems, reported record first-quarter earnings. This helped its already rising stock price to keep climbing. We reduced our position at increasing prices between January and May. Ivanhoe Mines is a conservatively capitalized business with extensive operations in Mongolia. It recently won permission from that nation's government to develop what could be the world's largest undeveloped copper and gold deposits in tandem with another firm, news that gave a healthy sheen to Ivanhoe's stock price. Unit Corporation reaped the rewards of running a strong, well-managed business in a mostly positive market for energy stocks. We added to our stake in January and June.

### GOOD IDEAS AT THE TIME Net Realized and Unrealized Investment Loss\* Year-to-Date Through 6/30/07

Gammon Gold	\$792,108
Knight Capital Group	579,621
The Timberland Company	516,700
KKR Financial Holdings	376,960
Nu Skin Enterprises Cl. A	304,000

\*Includes dividends

Even the best performing periods have their blemishes. In the otherwise-profitable precious metals and mining industry within the Natural Resources sector, Gammon Gold disappointed. In a difficult market for gold and silver commodity prices, the firm went through a change in management (that we liked) and had some issues with its Mexican mining operations. We substantially increased our stake in institutional trading and asset management



company Knight Capital Group. Its stock price began to slip in January as the firm experienced slumping profits from increased compensation costs. In the second quarter, earnings were hampered by a decline in its hedge fund fees.

### PORTFOLIO DIAGNOSTICS

Average Market Capitalization	\$1,560 million
Weighted Average P/E Ratio	16.2x
Weighted Average P/B Ratio	2.7x
Weighted Average Yield	1.5%
Fund Net Assets	\$182 million
Turnover Rate	36%
Net Leverage <sup>□</sup>	0%
Symbol	FUND
Market Price	XFUNX
NAV	

<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.

The Funds<sup>□</sup> P/E ratio calculations exclude companies with zero or negative earnings.

### CAPITAL STRUCTURE

Publicly Traded Securities Outstanding at 6/30/07 at NAV or Liquidation Value

16.5 million shares of Common Stock	\$182 million
6.00% Cumulative Preferred Stock	\$25 million

**RISK/RETURN COMPARISON**

Five-Year Period Ended 6/30/07

	<b>Average Annual Total Return</b>	<b>Standard Deviation</b>	<b>Return Efficiency*</b>
<b>FUND (NAV)</b>	<b>21.57%</b>	<b>17.04</b>	<b>1.27</b>
Russell 2000	13.88	13.88	0.84

\*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
	Annual distribution total					
1997	\$1.21		15.374	230	52,556	46,814
	Annual distribution total					
1998	\$1.54		14.311	347	54,313	47,506
	Annual distribution total					
1999	\$1.37		12.616	391	60,653	50,239
	Annual distribution total					
2000	\$1.48		13.972	424	70,711	61,648
	Annual distribution total					
2001	\$1.49		15.072	437	81,478	73,994
	Annual distribution total					
2002	\$1.51		14.903	494	68,770	68,927
1/28/03	Rights Offering	5,600	10.770	520		
	Annual distribution total					
2003	\$1.30		14.582	516	106,216	107,339
	Annual distribution total					
2004	\$1.55		17.604	568	128,955	139,094
	Annual distribution total					
2005	\$1.61		18.739	604	139,808	148,773
	Annual distribution total					
2006	\$1.78		19.696	693	167,063	179,945
	Year-to-date distribution					
2007	total \$0.91		21.352	349		
<b>6/30/07</b>		<b>\$ 21,922</b>		<b>8,451</b>	<b>\$ 183,471</b>	<b>\$ 181,020</b>

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**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
	Annual distribution total					
2002	\$0.80		9,518	180	21,297	19,142
	Annual distribution total					
2003	\$0.92		10,004	217	33,125	31,311
	Annual distribution total					
2004	\$1.33		13,350	257	39,320	41,788
	Annual distribution total					
2005	\$1.85		13,848	383	41,969	45,500
	Annual distribution total					
2006	\$1.55		14,246	354	51,385	57,647
	Year-to-date distribution					
2007	total \$0.66		15,075	154		
<b>6/30/07</b>		<b>\$ 8,900</b>		<b>3,633</b>	<b>\$ 56,130</b>	<b>\$ 55,985</b>

**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
	Annual distribution total					
2004	\$1.74		9,325	259	15,639	16,794
5/6/05	Rights offering	2,669	8,340	320		
	Annual distribution total					
2005	\$1.21		9,470	249	21,208	20,709
	Annual distribution total					
2006	\$1.57		9,860	357	24,668	27,020
	Year-to-date distribution					
2007	total \$0.26		10,509	63		
<b>6/30/07</b>		<b>\$ 7,044</b>		<b>2,593</b>	<b>\$ 28,601</b>	<b>\$ 29,353</b>

\* 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 and June 30, 2007, 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, 2007.

### **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>99.6%</b>		
<b>Consumer Products</b> □ <b>4.8%</b>		
Apparel and Shoes - 1.5%		
Kenneth Cole Productions Cl. A	35,000	\$ 864,500
Columbia Sportswear	34,600	2,376,328
Hugo Boss	19,200	1,260,072
K-Swiss Cl. A	110,000	3,116,300
Polo Ralph Lauren Cl. A	6,200	608,282
Tandy Brands Accessories	16,900	213,954
Van De Velde	40,000	2,072,943
Weyco Group	307,992	8,294,225
		<u>18,806,604</u>
Collectibles - 0.2%		
Russ Berrie & Company <sup>a</sup>	150,000	2,794,500
		<u>2,794,500</u>
Food/Beverage/Tobacco - 0.2%		
Hain Celestial Group <sup>a,b</sup>	37,800	1,025,892
Hershey Creamery	709	1,559,800
		<u>2,585,692</u>
Home Furnishing and Appliances - 0.5%		
Aaron Rents	4,500	131,400
Ekornes	80,000	1,824,672
Ethan Allen Interiors	45,800	1,568,650
La-Z-Boy <sup>b</sup>	68,200	781,572
Rational	9,300	1,823,238
		<u>6,129,532</u>
Publishing - 0.5%		
Proquest Company <sup>a,b</sup>	180,000	1,701,000
Scholastic Corporation <sup>a,b</sup>	130,000	4,672,200
		<u>6,373,200</u>
Sports and Recreation - 0.7%		
Beneteau	12,000	1,634,534
Coachmen Industries	47,700	460,782
Monaco Coach	166,650	2,391,427
Sturm, Ruger & Company <sup>a,b</sup>	272,900	4,235,408
Thor Industries	26,100	1,178,154

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		9,900,305
<hr/>		
Other Consumer Products -		
1.2%		
Blyth	14,700	390,726
Burnham Holdings Cl. B	36,000	585,000
Lazare Kaplan International <sup>a</sup>	103,600	820,512
Leapfrog Enterprises <sup>a,b</sup>	175,000	1,793,750
Matthews International Cl. A	100,000	4,361,000
RC2 Corporation <sup>a</sup>	132,600	5,305,326
Sally Beauty Holdings <sup>a,b</sup>	194,600	1,751,400
		<hr/>
		15,007,714
		<hr/>
<b>Total</b> (Cost \$36,850,760)		61,597,547
		<hr/>
Consumer Services <sup>a</sup> 5.6%		
Direct Marketing - 0.2%		
FTD Group	55,000	1,012,550
Takkt	95,000	1,695,940
		<hr/>
		2,708,490
		<hr/>
Leisure and Entertainment -		
0.1%		
Shuffle Master <sup>a,b</sup>	15,000	249,000
Steiner Leisure <sup>a,b</sup>	2,100	103,152
		<hr/>
		352,152
		<hr/>

	SHARES	VALUE
Media and Broadcasting -		
0.1%		
Cox Radio Cl. A <sup>a,b</sup>	23,000	\$ 327,520
Discovery Holding Company Cl. B <sup>a</sup>	56,100	1,293,105
		<hr/>
		1,620,625
		<hr/>
Restaurants and Lodgings -		
0.9%		
Benihana Cl. A <sup>a,b</sup>	6,600	132,000
CEC Entertainment <sup>a</sup>	121,400	4,273,280
Morgans Hotel Group <sup>a,b</sup>	90,000	2,194,200
Steak n Shake <sup>a</sup>	183,000	3,054,270
Tim Hortons	50,000	1,537,500
		<hr/>
		11,191,250
		<hr/>
Retail Stores - 1.7%		
America's Car-Mart <sup>a,b</sup>	90,400	1,228,536
Bulgari	200,000	3,223,916
CarMax <sup>a,b</sup>	82,000	2,091,000
Children's Place Retail Stores <sup>a</sup>	13,670	705,919
Cost Plus <sup>a,b</sup>	80,500	682,640
Fred's Cl. A	50,000	669,000

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Fielmann	20,000	1,266,828
Gander Mountain <sup>a,b</sup>	53,300	604,955
Hot Topic <sup>a,b</sup>	29,000	315,230
Krispy Kreme Doughnuts <sup>a</sup>	85,000	787,100
99 Cents Only Stores <sup>a,b</sup>	95,000	1,245,450
Stein Mart	142,800	1,750,728
Tiffany & Co.	75,000	3,979,500
Urban Outfitters <sup>a,b</sup>	27,000	648,810
West Marine <sup>a</sup>	131,100	1,803,936
Wet Seal (The) Cl. A <sup>a,b</sup>	162,000	973,620
		<hr/>
		21,977,168
		<hr/>
<b>Other Consumer Services -</b>		
<b>2.6%</b>		
Corinthian Colleges <sup>a,b</sup>	106,500	1,734,885
<b>ITT Educational Services <sup>a</sup></b>	80,000	9,390,400
Laureate Education <sup>a</sup>	37,500	2,312,250
MoneyGram International	74,900	2,093,455
Renaissance Learning	15,000	197,250
<b>Sotheby's Cl. A</b>	382,200	17,588,844
Travelcenters of America <sup>a,b</sup>	2,500	101,125
		<hr/>
		33,418,209
		<hr/>
<b>Total</b> (Cost \$41,745,500)		71,267,894
		<hr/>
<b>Diversified Investment</b>		
<b>Companies □ 0.1%</b>		
<b>Closed-End Funds - 0.1%</b>		
Central Fund of Canada Cl. A	111,500	1,013,535
		<hr/>
<b>Total</b> (Cost \$589,526)		1,013,535
		<hr/>
<b>Financial Intermediaries □</b>		
<b>10.8%</b>		
<b>Banking - 3.2%</b>		
Ameriana Bancorp	20,000	199,000
BOK Financial	129,327	6,908,648
Bank of N.T. Butterfield & Son	118,750	7,125,000
CFS Bancorp	260,000	3,775,200
Cadence Financial	30,300	590,244
Commercial National Financial	52,575	986,307
<b>Farmers &amp; Merchants</b>		
<b>Bank of Long Beach</b>	1,266	8,418,900
Hawthorn Bancshares	44,400	1,443,000
Heritage Financial	12,915	308,023
HopFed Bancorp	25,000	402,250



June 30, 2007 (unaudited)

	SHARES	VALUE
<b>Financial Intermediaries</b>		
<b>(continued)</b>		
<b>Banking (continued)</b>		
Jefferson Bancshares	32,226	\$ 380,589
Mechanics Bank	200	3,900,000
Old Point Financial	20,000	510,600
Partners Trust Financial Group	100,000	1,050,000
Sun Bancorp <sup>a,b</sup>	46,305	781,165
Tompkins Financial	17,545	656,183
W Holding Company	44,700	118,008
Whitney Holding	40,500	1,219,050
Wilber Corporation	31,700	293,225
Wilmington Trust	31,000	1,286,810
Yadkin Valley Financial	3,800	69,730
		40,421,932
<b>Insurance - 3.9%</b>		
ACA Capital Holdings <sup>a,b</sup>	50,000	595,000
Alleghany Corporation <sup>a</sup>	11,318	4,600,767
Aspen Insurance Holdings	64,000	1,796,480
Commerce Group	89,000	3,090,080
Erie Indemnity Cl. A	139,900	7,560,196
IPC Holdings	27,000	871,830
Leucadia National	84,940	2,994,135
Markel Corporation <sup>a,b</sup>	7,200	3,488,832
Montpelier Re Holdings	66,000	1,223,640
NYMAGIC	85,200	3,425,040
Ohio Casualty	68,502	2,966,822
PXRE Group <sup>a</sup>	166,551	772,797
ProAssurance Corporation <sup>a,b</sup>	38,070	2,119,357
RLI	99,724	5,579,558
Security Capital Assurance	30,000	926,100
Wesco Financial	4,750	1,828,750
White Mountains Insurance Group	9,000	5,454,180
		49,293,564
<b>Real Estate Investment Trusts</b>		
<b>- 0.4%</b>		
Capstead Mortgage	181,100	1,756,670
Gladstone Commercial	34,700	680,120
Opteum Cl. A	897,500	2,441,200
		4,877,990
<b>Securities Brokers - 1.0%</b>		
Cowen Group <sup>a</sup>	32,000	573,120

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Dundee Wealth Management	100,000	1,541,422
Evercore Partners Cl. A	19,400	577,538
First Albany Companies <sup>a,b</sup>	350,100	584,667
Investment Technology Group <sup>a,b</sup>		
	30,400	1,317,232
Knight Capital Group Cl. A <sup>a,b</sup>	229,700	3,813,020
Lazard Cl. A	31,000	1,395,930
optionsXpress Holdings	53,000	1,359,980
Shinko Securities	464,300	2,405,875

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13,568,784

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**Other Financial Intermediaries**  
- 2.3%

AP Alternative Assets L.P.	234,600	4,281,450
JAFCO	37,300	1,720,723
KKR Financial	171,200	4,264,592
KKR Private Equity Investors LLP	105,000	2,362,500
Kohlberg Capital	81,800	1,517,390
MCG Capital	138,000	2,210,760
MVC Capital	397,200	7,471,332
MarketAxess Holdings <sup>a</sup>	67,000	1,205,330

**SHARES**                      **VALUE**

NGP Capital Resources	50,000	\$	836,000
RHJ International <sup>a</sup>	177,500		3,507,464

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29,377,541

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**Total** (Cost \$100,428,652)                      **137,539,811**

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**Financial Services** □ **8.5%**  
Information and Processing -  
1.7%

eFunds Corporation <sup>a,b</sup>	126,875		4,477,419
FactSet Research Systems	35,350		2,416,172
Global Payments	68,500		2,716,025
Interactive Data	134,300		3,596,554
PRG-Schultz International <sup>a,b</sup>	14,420		229,278
SEI Investments	282,400		8,200,896

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21,636,344

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**Insurance Brokers - 1.2%**

Crawford & Company Cl. A <sup>a</sup>	289,200		1,821,960
Crawford & Company Cl. B <sup>a</sup>	162,300		1,097,148
eHealth <sup>a,b</sup>	25,000		477,250
Enstar Group <sup>a,b</sup>	7,000		844,970
Gallagher (Arthur J.) & Co.	111,200		3,100,256
Hilb Rogal & Hobbs	155,050		6,645,443
National Financial Partners	22,000		1,018,820

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15,005,847

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**Investment Management -**  
**5.1%**

ADDENDA Capital	150,900		3,208,529
	333,100		29,009,679

**AllianceBernstein Holding L.P.**

BKF Capital Group <sup>a</sup>	227,050	522,215
Calamos Asset Management Cl. A	45,000	1,149,750
Eaton Vance	140,400	6,202,872
Federated Investors Cl. B	161,900	6,205,627
<b>GAMCO Investors Cl. A</b>	158,600	8,889,530
<b>Nuveen Investments Cl. A</b>	138,600	8,613,990
SPARX Group	2,300	1,709,239
		<hr/>
		65,511,431
		<hr/>

**Other Financial Services - 0.5%**

AmeriCredit Corporation <sup>a,b</sup>	18,870	500,998
Centerline Holding Company	59,600	1,072,800
Credit Acceptance <sup>a,b</sup>	86,601	2,323,505
Municipal Mortgage & Equity	40,300	982,514
Ocwen Financial <sup>a,b</sup>	50,000	666,500
World Acceptance <sup>a,b</sup>	21,700	927,241
		<hr/>
		6,473,558
		<hr/>

**Total** (Cost \$61,728,918)

108,627,180

**Health □ 6.8%****Commercial Services - 1.4%**

First Consulting Group <sup>a,b</sup>	560,900	5,328,550
<b>PAREXEL International <sup>a,b</sup></b>	313,700	13,194,222
		<hr/>
		18,522,772
		<hr/>

**Drugs and Biotech - 1.6%**

Affymetrix <sup>a,b</sup>	10,000	248,900
Antigenics <sup>a,b</sup>	99,300	283,998
Biovail Corporation	41,200	1,047,304
Endo Pharmaceuticals Holdings <sup>a</sup>	155,000	5,305,650
Gene Logic <sup>a</sup>	365,000	503,700
Genitope Corporation <sup>a,b</sup>	100,000	386,000
Human Genome Sciences <sup>a,b</sup>	90,000	802,800
K-V Pharmaceutical Cl. A <sup>a,b</sup>	51,500	1,402,860

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

2007 Semiannual Report to Stockholders | 21

# Royce Value Trust

## Schedule of Investments

	SHARES	VALUE
<b>Health (continued)</b>		
Drugs and Biotech (continued)		
Medicines Company (The) <u>a,b</u>	20,000	\$ 352,400
Millennium Pharmaceuticals <u>a,b</u>	100,000	1,057,000
Mylan Laboratories	52,200	949,518
Myriad Genetics <u>a,b</u>	50,000	1,859,500
Origin Agritech <u>a</u>	3,500	28,875
Perrigo Company	191,950	3,758,381
Pharmanet Development Group <u>a</u>	10,000	318,800
QLT <u>a</u>	114,070	844,118
VIVUS <u>a,b</u>	163,300	854,059
		20,003,863
<b>Health Services - 1.4%</b>		
Albany Molecular Research <u>a</u>	85,000	1,262,250
Cross Country Healthcare <u>a</u>	30,000	500,400
Eclipsys Corporation <u>a,b</u>	20,000	396,000
Gentiva Health Services <u>a</u>	30,150	604,809
HMS Holdings <u>a,b</u>	50,000	957,000
HealthSouth Corporation <u>a,b</u>	200,000	3,622,000
Lincare Holdings <u>a,b</u>	52,562	2,094,596
MedQuist <u>a</u>	73,893	673,165
National Home Health Care	20,000	252,000
On Assignment <u>a,b</u>	375,400	4,024,288
Paramount Acquisition (Units) <u>a</u>	280,000	1,976,800
Res-Care <u>a,b</u>	65,460	1,383,824
		17,747,132
<b>Medical Products and Devices - 2.2%</b>		
Allied Healthcare Products <u>a</u>	210,612	1,377,402
Arrow International	61,028	2,336,152
ArthroCare Corporation <u>a,b</u>	10,000	439,100
Atrion Corporation	15,750	1,543,500
Bruker BioSciences <u>a</u>	370,200	3,335,502
Coloplast Cl. B	17,000	1,383,584
CONMED Corporation <u>a,b</u>	81,500	2,386,320
IDEXX Laboratories <u>a,b</u>	79,000	7,475,770
Invacare Corporation	103,100	1,889,823
STERIS Corporation	98,600	3,017,160
Young Innovations	62,550	1,825,209
Zoll Medical <u>a,b</u>	40,400	901,324



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Federal Signal	58,600	929,396
Franklin Electric	84,200	3,972,556
Graco	101,825	4,101,511
Hardinge	26,193	891,348
IDEX Corporation	54,000	2,081,160
Intermec <sup>a,b</sup>	23,000	582,130
<b>Lincoln Electric Holdings</b>	188,680	14,007,603
Mueller Water Products Cl. A	50,000	853,000
<b>Nordson Corporation</b>	172,200	8,637,552
Pfeiffer Vacuum Technology	18,500	1,784,015
<b>Rofin-Sinar Technologies</b>		
<sup>a,b</sup>	128,000	8,832,000
Williams Controls <sup>a</sup>	37,499	655,858
Woodward Governor	144,800	7,771,416
		<hr/>
		66,278,854
		<hr/>
<b>Metal Fabrication and Distribution - 1.8%</b>		
Commercial Metals	36,600	1,235,982
CompX International Cl. A	292,300	5,407,550
Gerdau Ameristeel	61,100	893,893
<b>Kaydon Corporation</b>	177,400	9,246,088
NN	197,100	2,325,780
Novamerican Steel <sup>a</sup>	10,800	575,964
RBC Bearings <sup>a</sup>	30,000	1,237,500
Reliance Steel & Aluminum	25,920	1,458,259
		<hr/>
		22,381,016
		<hr/>
<b>Paper and Packaging - 0.2%</b>		
Mayr-Melnhof Karton	8,100	1,843,747
Peak International <sup>a</sup>	408,400	1,155,772
		<hr/>
		2,999,519
		<hr/>
<b>Specialty Chemicals and Materials - 1.4%</b>		
Aceto Corporation	78,410	726,861
American Vanguard	26,666	381,857
Balchem Corporation	16,875	306,619
Cabot Corporation	163,500	7,795,680
Fuel Tech <sup>a,b</sup>	10,000	342,500
Hawkins	206,878	3,196,265

June 30, 2007 (unaudited)

	SHARES	VALUE
<b>Industrial Products (continued)</b>		
Specialty Chemicals and Materials (continued)		
Lydall <sup>a,b</sup>	35,500	\$ 518,655
Schulman (A.)	143,100	3,481,623
Sensient Technologies	22,000	558,580
		<hr/> 17,308,640 <hr/>
Textiles - 0.1%		
Unifi <sup>a,b</sup>	145,100	380,162
Other Industrial Products - 3.2%		
<b>Brady Corporation Cl. A</b>		
	293,400	10,896,876
Diebold	86,700	4,525,740
Distributed Energy Systems <sup>a</sup>	32,000	41,600
Kimball International Cl. B	286,180	4,009,382
Maxwell Technologies <sup>a,b</sup>	21,500	305,730
Mettler-Toledo International <sup>a</sup>	28,700	2,741,137
Munters	100,000	1,571,821
Myers Industries	30,499	674,333
Peerless Manufacturing <sup>a</sup>	297,200	6,131,236
Raven Industries	86,200	3,078,202
Solar Integrated Technologies <sup>a</sup>	75,000	168,680
Somfy	7,000	2,285,164
Waters Corporation <sup>a</sup>	75,990	4,510,766
		<hr/> 40,940,667 <hr/>
<b>Total</b> (Cost \$103,760,088)		<hr/> 210,472,482 <hr/>
<b>Industrial Services</b> □		
<b>11.0%</b>		
Advertising and Publishing - 1.0%		
Focus Media Holding ADR <sup>a,b</sup>	70,000	3,535,000
Interpublic Group of Companies <sup>a,b</sup>	510,000	5,814,000
Lamar Advertising Cl. A	26,000	1,631,760
MDC Partners Cl. A <sup>a</sup>	60,000	525,000

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ValueClick <u>a,b</u>	45,000	1,325,700
		<hr/>
		12,831,460
		<hr/>

Commercial Services -  
3.2%

Allied Waste Industries <u>a</u>	188,800	2,541,248
Anacomp Cl. A <u>a</u>	26,000	191,100
BB Holdings <u>a</u>	289,400	1,525,504
Canadian Solar <u>a,b</u>	50,000	470,000
Convergys Corporation <u>a</u>	121,000	2,933,040
Copart <u>a,b</u>	158,100	4,836,279
eResearch Technology <u>a,b</u>	181,000	1,721,310
First Advantage Cl. A <u>a,b</u>	5,000	115,050
Hewitt Associates Cl. A <u>a,b</u>	208,720	6,679,040
Iron Mountain <u>a,b</u>	234,262	&#16