

THE [Select] CHOICE

Royce's Qualified Investor Funds



The Select Choice—Royce’s Qualified Investor Funds

THERE ARE FIVE UNDISCOVERED FUNDS WITHIN OUR PORTFOLIO LINEUP AVAILABLE ONLY TO QUALIFIED INVESTORS. MANAGED BY A SEASONED PORTFOLIO MANAGER, EACH OFFERS THE BEST FEATURES OF A HEDGE FUND STRUCTURE IN A PUBLICLY TRADED MUTUAL FUND.

Royce’s Qualified Investor Funds incorporate the same fundamental investment disciplines of our core long-only offerings with the added flexibility to short stocks, use leverage and vary market cap exposure.

Our portfolio managers can seek to profit from both positive and negative views of an enterprise that develop out of the normal course of our investment due diligence. This increased investment flexibility provides more efficient use of Royce’s in-depth research process, while also presenting opportunities for enhanced portfolio performance and lower correlation of returns.

Flexibility + Efficiency = Alpha

All actively managed, long-only equity strategies seek to generate excess return by underweighting unattractive stocks and overweighting attractive ones. Each Select Fund can go one step further. Each Portfolio Manager has the option to take short positions in what each thinks are overvalued stocks. This frees each manager to potentially extract greater incremental return while reducing portfolio risk.

Why Qualified Investor Funds?

The last 20 years have seen the proliferation of investment vehicles for institutional and high-net worth individual investors. Royce was a pioneer in developing alternative investment products within the traditional mutual fund structure when we introduced Royce Select Fund I in November, 1998. The Fund established the template that we now use in all our Qualified Investor Funds.



Royce Qualified Investor Funds may also employ leverage, with the ability to borrow from banks in an amount that does not exceed one-third of the value of its respective total assets.

Unique Fee Structure

Our Qualified Investor Funds’ fee and expense structure is tied directly to their total returns. Each Fund pays a management fee to Royce equal to 12.5% of its respective pre-fee total return to a performance peak. Royce absorbs all other ordinary expenses of the Fund, other than interest, dividend expense relating to short selling, and any applicable acquired fund fees and expenses.

The Fund’s management fee is subject to a daily high watermark, which means that Royce will only receive a fee during periods of positive performance from a prior peak for each respective Fund.

If the total return recedes from the high watermark, no fee will be taken until the Fund’s pre-fee total return again exceeds the high watermark. We think that the Qualified Investor Funds’ fee structure offers a distinct advantage—during low-return periods, the expenses have a much more modest impact on returns, and during negative-return periods, there are no management fees or operating expenses charged to the Fund.

In our view, this gives qualified investors the best of both worlds—the transparency and liquidity of a publicly traded mutual fund, along with some of the flexibility and portfolio architecture of a hedge fund.

Each Qualified Investor Fund seeks long-term growth of capital and may invest in both long and short positions in equity securities. The long portion of each portfolio is primarily invested in a limited number (generally less than 100) of smaller companies. Short portions may include individual equity securities and pooled investment vehicles, such as ETFs.

The Select Lineup

RS1

Royce Select Fund I

Royce Select Fund I focuses on smaller companies with market caps up to \$5 billion that possess excellent business strengths and/or prospects, high internal rates of return and low leverage. Lauren Romeo manages the Fund, assisted by Chuck Royce. Lauren, who joined Royce in 2004, looks for what she deems high-quality stocks—those with strong balance sheets and the ability to generate free cash flow.

RS2

Royce Select Fund II

Royce Select Fund II also seeks smaller U.S. and foreign companies with market caps up to \$5 billion that have excellent business strengths and/or prospects, high internal rates of return and low leverage. In addition, the Fund may also invest in more opportunistic securities, including turnaround situations, undervalued growth companies or emerging growth companies with interrupted earnings patterns. James Harvey manages the fund, assisted by Chuck Royce. Since joining Royce in 1999, Jim has worked with our longest-tenured portfolio managers and was the first on our investment staff to closely examine the Asian markets.

RGS

Royce Global Select Fund

Royce Global Select Fund invests the long portion of its portfolio primarily in a limited number of U.S. and foreign companies with market caps up to \$5 billion that possess excellent business strengths and/or prospects, high internal rates of return, and low leverage. David Nadel manages the Fund, assisted by Whitney George. David joined Royce in 2006 with strong experience in international equity investing.

RSS

Royce SMid-Cap Select Fund

Royce SMid-Cap Select Fund invests primarily in small-cap and mid-cap equity securities with market caps between \$500 million and \$10 billion that Royce believes are trading below its estimate of their current worth, putting primary emphasis on balance sheet quality, cash flows and various internal returns indicative of profitability, and the relationships that these factors have to the price of a given security. Steven McBoyle manages the Fund, assisted by Chuck Royce. With years of experience investing in small-cap and mid-cap stocks, Steven joined Royce in 2007.

ROS

Royce Opportunity Select Fund

Royce Opportunity Select Fund invests the long portion of its portfolio primarily in small-cap and micro-cap companies, those with market capitalizations up to \$2.5 billion. The Fund uses an opportunistic value approach that incorporates four investment themes—turnaround situations, undervalued growth companies, emerging growth companies with interrupted earnings and companies with unrecognized asset values. William Hench, who joined Royce in 2002, manages the Fund, assisted by Boniface ‘Buzz’ Zaino.

QUALIFIED INVESTOR FUND:

Qualified Investors may use Royce’s Select Funds, which use a performance fee structure with a specific portfolio management style.



Clockwise:
Lauren Romeo, James Harvey,
David Nadel, Steven McBoyle
and William Hench

Wealth Of Experience

Royce & Associates is committed to the same investment principles that have served us well for more than 35 years. Charles M. Royce, our President and Co-Chief Investment Officer, enjoys one of the longest tenures of any active mutual fund manager. Royce's investment staff also includes Co-Chief Investment Officer W. Whitney George and more than 30 investment and trading professionals.

Multiple Funds, Common Focus

Our goal is to offer both individual and institutional investors the best available micro-cap, small-cap and/or mid-cap portfolios. We have chosen to concentrate on smaller-company investing by providing investors with a range of funds that take full advantage of this large and diverse sector.

Consistent Discipline

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

Co-Ownership Of Funds

It is important that our employees and shareholders share a common financial goal. Our officers, employees and their families have substantial investments in *The Royce Funds* and are often among the largest individual shareholders.

For a prospectus please call (800) 221-4268. The prospectus contains information regarding the Funds' respective investment objectives, risk profile, fees and other expenses. Please read the prospectus carefully before investing or sending money. *The Royce Funds* invest primarily in securities of micro-cap, small-cap and/or mid-cap companies, which may involve considerably more risk than investments in securities of larger-cap companies (see "Primary Risks for Fund Investors" in the prospectus). Each Fund may invest a portion of its net assets in foreign securities, which may involve political, economic, currency and other risks not encountered in U.S. investments (Please see "Investing in Foreign Securities" in the prospectus). Royce Fund Services, Inc. is The Royce Fund's distributor and a member of FINRA and SIPC.

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The Select Choice—Royce’s Qualified Investor Funds

Average Annual Total Return Through 3/31/12

	One-Year	Three-Year	Five-Year	10-Year	Since Inception (Date)	Annual Operating Expenses
Royce Select Fund I	-0.72%	24.10%	7.06%	10.07%	14.02% (11/18/98)	2.38%
Royce Select Fund II	-7.85	24.57	3.35	n.a.	6.84 (6/30/05)	2.80
Royce Global Select Fund	-11.01	26.05	6.56	n.a.	11.61 (6/30/05)	3.53
Royce SMid-Cap Select Fund	4.19	20.30	n.a.	n.a.	4.41 (9/28/07)	0.71
Royce Opportunity Select Fund	-7.82	n.a.	n.a.	n.a.	16.39 (8/31/10)	4.01
Russell 2000	-0.18	26.90	2.13	6.45	n.a.	n.a.
Russell 2500	1.33	28.42	3.03	7.49	n.a.	n.a.
Russell Global Small Cap	-5.31	26.08	0.29	9.07	n.a.	n.a.

Important Performance, Expense and Risk Information

All performance information in this piece reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions and does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when redeemed. Shares redeemed within 365 days of purchase may be subject to a 2% redemption fee payable to the respective Fund. Redemption fees are not reflected in the performance shown above; if they were, performance would be lower. Current performance may be higher or lower than performance quoted. Current month-end performance information may be obtained at www.roycefunds.com. Annual operating expenses reflect each Fund’s total annual operating expenses as of the prospectus dated 5/1/11 and include management fees based on 12.5% of their 2010 pre-fee, high-watermark return measured daily. Each Fund’s high watermark return for 2010 on which the above annual expense ratios are based was 19.0% for Royce Select Fund I, 19.8% for Royce Select Fund II, 27.2% for Royce Global Select Fund, 5.6% for Royce SMid-Cap Select Fund and 32.1% for Royce Opportunity Select Fund. The management fee can vary significantly from year to year based on a Fund’s performance. Each Fund’s respective total annual Fund operating expense ratio was 2.38%, 2.80%, 3.53%, 0.71% and 4.01%. For Royce Select Fund I, SMid-Cap Select and Opportunity Select Funds, this also included acquired fund fees and expenses. For Royce Select Fund II and Royce Global Select Fund, it includes dividends on securities sold short, acquired fund fees and expenses and interest expense on borrowings. Actual management fees will depend on each Fund’s future returns. Royce & Associates has contractually agreed to absorb all other operating expenses of the Fund, other than dividend expense relating to any short selling activity of the Fund, acquired fund fees and expenses and interest expense on borrowings when applicable. Acquired fund fees and expenses reflect the estimated amount of the fees and expenses incurred indirectly by the Fund through its investments in mutual funds, hedge funds, private equity funds and other investment companies.

The Royce Funds invest primarily in securities of micro-cap, small-cap and/or mid-cap companies, which may involve considerably more risk than investments in securities of larger-cap companies (see “Primary Risks for Fund Investors” in the respective Prospectus). Royce Global Select Fund and Royce Select Fund II may invest a significant portion of their assets in foreign securities, which may involve political, economic, currency and other risks not encountered in U.S. investments (Please see “Investing in Foreign Securities” in the prospectus). **This material is not authorized for distribution unless preceded or accompanied by a current prospectus.**

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