

Royce Pennsylvania Mutual Fund®



Royce Pennsylvania Mutual Fund (PMF) seeks long-term growth of capital. The Fund uses a disciplined value approach to invest in the equity securities of small-cap and micro-cap companies, those with market capitalizations up to \$2.5 billion. We believe that investors in the Fund should have a long-term investment horizon of at least three years. Chuck Royce manages the Fund, assisted by Jay Kaplan and Lauren Romeo.

■ **Charles M. Royce** President, Co-Chief Investment Officer and Portfolio Manager | 49 Years of Experience; 39 Years at Royce

CORE

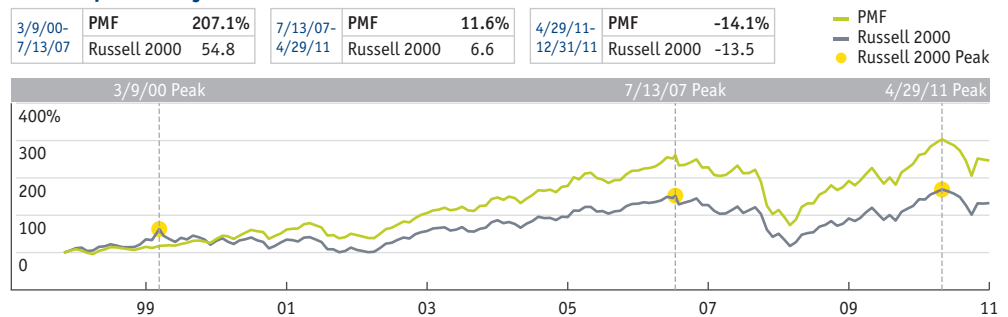
Core Funds generally invest across a wide spectrum of smaller companies using a diversified approach.

Performance and Expenses Through 12/31/11

Average Annual Total Return	PMF	Russell 2000
Fourth Quarter 2011 ¹	13.34%	15.47%
One-Year	-4.17	-4.18
Three-Year	17.39	15.63
Five-Year	1.63	0.15
10-Year	7.92	5.62
20-Year	10.31	8.52
25-Year	10.54	8.68
30-Year	12.40	9.81
35-Year	13.43	n.a.
Annual Expense Ratio		
Operating Expenses	0.90%	

¹ Not Annualized

Small-Cap Market Cycle Performance



The Fund outperformed the Russell 2000 from the 3/9/00 and 7/13/07 index peaks through 12/31/11; and in each of the two previous full market cycle periods.

Calendar Year Total Returns

Year	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
PMF	-4.2%	23.9%	36.3%	-34.8%	2.8%	14.8%	12.5%	20.2%	40.3%	-9.2%	18.4%	18.3%	6.0%	4.2%	25.0%	12.8%	18.7%	-0.7%	11.3%
Russell 2000	-4.2	26.9	27.2	-33.8	-1.6	18.4	4.6	18.3	47.3	-20.5	2.5	-3.0	21.3	-2.5	22.4	16.5	28.5	-1.8	18.9

Important Performance and Expense Information

All performance information reflects past performance, is presented on a total return basis, 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 180 days of purchase may be subject to a 1% redemption fee, payable to the Fund, which is not reflected in the performance shown above; if it 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. Operating expenses reflect the Fund's total annual operating expenses for the Investment Class as of the Fund's most current prospectus and include management fees and other expenses.

Sector weightings are determined using the Global Industry Classification Standard ("GICS"). GICS was developed by, and is the exclusive property of, Standard & Poor's Financial Services LLC ("S&P") and MSCI Inc. ("MSCI"). GICS is the trademark of S&P and MSCI. "Global Industry Classification Standard (GICS)" and "GICS Direct" are service marks of S&P and MSCI.

Fund Information and Portfolio Diagnostics

Fund Net Assets	\$5,608 million
Number of Holdings	532
Average Market Capitalization ¹	\$1,556 million
Weighted Average P/E Ratio ²	14.2x
Weighted Average P/B Ratio	1.8x
U.S. Investments (% of Net Assets)	88.2%
Non-U.S. Investments (% of Net Assets)	8.9%
Ticker Symbol	
Investment Class	PENNX
Service Class	RYPFX
Consultant Class	RYPGX
Institutional Class	RPMIX
R Class	RPMRX
K Class	RPMKX

¹ Geometrically calculated

² The Fund's P/E ratio calculation excludes companies with zero or negative earnings (5% of portfolio holdings as of 12/31/11).

Top 10 Positions

% of Net Assets (Subject to Change)	
Helmerich & Payne	1.0%
HEICO Corporation	0.9
Advisory Board (The)	0.9
Kennametal	0.8
Unit Corporation	0.8
Coherent	0.7
Oil States International	0.7
Nordson Corporation	0.7
Ethan Allen Interiors	0.7
IDEXX Laboratories	0.7

Top 200 holdings represented 80% of the Fund's equity investments as of 12/31/11.

Portfolio Sector Breakdown

% of Net Assets (Subject to Change)	
Industrials	25.7%
Information Technology	19.5
Consumer Discretionary	14.9
Financials	12.2
Energy	8.5
Health Care	7.3
Materials	7.3
Consumer Staples	1.8
Telecommunication Services	0.1
Utilities	0.0
Bonds & Preferreds	0.0
Treasuries, Cash and Cash Equivalents	2.8

Absolute Return Focus: Five-Year Monthly Rolling Return Periods

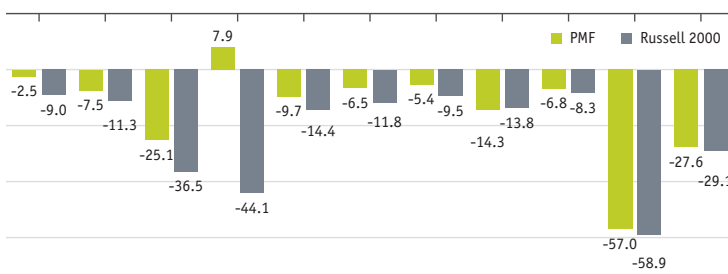
Number of Five-Year Average Annual Return Periods Over the Last 10 Years



56% of the time, five-year average annual total returns were greater than 10%. The Fund averaged 10.3% over all 120 five-year monthly rolling return periods.

Down Market Performance Comparison (In Percentages)

1/22/97-10/13/97-4/21/98- 3/9/00- 4/5/04- 12/28/04- 8/2/05- 5/5/06- 2/22/07- 7/13/07- 4/29/11- 4/25/97 1/12/98 10/8/98 10/9/02 8/12/04 4/28/05 10/12/05 7/21/06 3/5/07 3/9/09 10/3/11



The Fund outperformed the Russell 2000 during 10 out of 11 downturns of 7.5% or more from the index's prior historical high over the last 15 years.

Risk/Return Comparison

Five-Year Period Ended 12/31/11

	Average Annual Total Return	Standard Deviation	Return Efficiency ¹
PMF	1.63%	23.60	0.07
Russell 2000	0.15	24.47	0.01

¹ Return Efficiency is the average annual total return divided by the annualized standard deviation over a designated time period. Please read the prospectus for a more complete discussion of risk.

Over the last five years, the Fund outperformed the Russell 2000 on both an absolute and risk adjusted basis.

Morningstar Statistical Measures¹

	PMF	Category Median	Best Quartile Breakpoint
Sharpe Ratio	0.13	0.11	0.16
Standard Deviation	23.60	23.92	22.75

¹ Five years ended 12/31/11. Category Median and Best Quartile Breakpoint based on 346 small-cap objective funds (oldest class only) with at least five years of history.

The Fund produced below average volatility relative to small-cap objective funds.

Relative Return Focus: Five-Year Monthly Rolling Return Periods

PMF Spread vs. Russell 2000 Over the Last 10 Years

	Number of Periods	Percent of Periods
> 10%	4	3%
> 5% and ≤ 10%	48	40
> 2.5% and ≤ 5%	19	16
> 0% and ≤ 2.5%	49	41
≤ 0%	0	0
Total Periods	120	100

The Fund outperformed the Russell 2000 in 100% of all monthly rolling five-year return periods between 1/31/02 and 12/31/11. The Fund's average return for all 120 five-year periods was 10.3% versus 5.8% for the index.

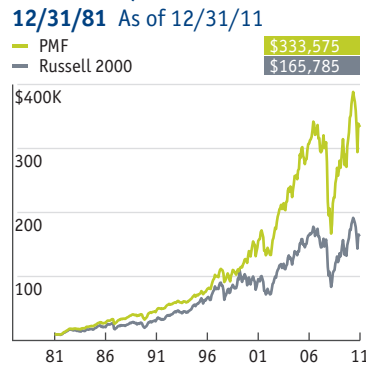
Russell 2000 Down Quarters

Performance Comparison 15 Years Ended 12/31/11

Quarter	Russell 2000	PMF	Spread	Quarter	Russell 2000	PMF	Spread
9/30/11	-21.9%	-21.1%	+0.8%	9/30/02	-21.4%	-17.4%	+4.0%
6/30/11	-1.6	-1.8	-0.2	6/30/02	-8.4	-4.9	+3.5
6/30/10	-9.9	-8.5	+1.4	9/30/01	-20.8	-14.9	+5.9
3/31/09	-15.0	-12.0	+3.0	3/31/01	-6.5	-0.1	+6.4
12/31/08	-26.1	-26.1	0.0	12/31/00	-6.9	+3.3	+10.2
9/30/08	-1.1	-7.2	-6.1	6/30/00	-3.8	+3.7	+7.5
3/31/08	-9.9	-6.3	+3.6	9/30/99	-6.3	-4.8	+1.5
12/31/07	-4.6	-3.8	+0.8	3/31/99	-5.4	-12.0	-6.6
9/30/07	-3.1	-2.9	+0.2	9/30/98	-20.1	-14.9	+5.2
6/30/06	-5.0	-5.2	-0.2	6/30/98	-4.7	-0.7	+4.0
3/31/05	-5.3	-0.7	+4.6	12/31/97	-3.3	-1.9	+1.4
9/30/04	-2.9	+0.9	+3.8	3/31/97	-5.2	+0.4	+5.6
3/31/03	-4.5	-5.5	-1.0				

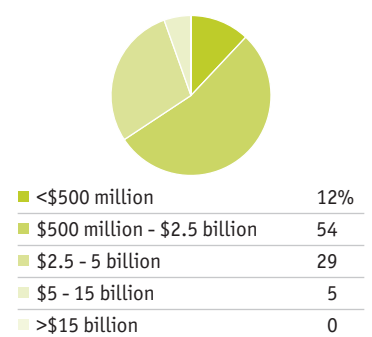
The Fund outperformed the Russell 2000 in 19 out of 25 down quarters.

Value of \$10,000 Invested on 12/31/81 As of 12/31/11



Market Cap Exposure

Percent of Portfolio



This material is not authorized for distribution unless preceded or accompanied by a current prospectus. Please read the prospectus carefully before investing or sending money. The Fund invests primarily in small-cap and micro-cap stocks, which may involve considerably more risk than investing in larger-cap stocks. (Please see "Primary Risks for Fund Investors" in the prospectus.) The Fund may invest up to 25% 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.)

The Sharpe Ratio is calculated for a specified period by dividing a fund's annualized excess returns by its annualized standard deviation. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. 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. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group. The Russell 2000 is an unmanaged, capitalization-weighted index of domestic small-cap stocks. It measures the performance of the 2,000 smallest publicly traded U.S. companies in the Russell 3000 index. Distributor: Royce Fund Services, Inc.

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