

# Royce Pennsylvania Mutual Fund<sup>®</sup>



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 ■ 47 Years of Experience; 37 Years at Royce

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

## CALENDAR YEAR TOTAL RETURNS

Year	PMF	Year	PMF
2009	36.3%	2000	18.4%
2008	-34.8	1999	6.0
2007	2.8	1998	4.2
2006	14.8	1997	25.0
2005	12.5	1996	12.8
2004	20.2	1995	18.7
2003	40.3	1994	-0.7
2002	-9.2	1993	11.3
2001	18.4	1992	16.2

## TOP 10 POSITIONS

% of Net Assets (Subject to Change)

SEI Investments	0.8%
GrafTech International	0.8
Federated Investors Cl. B	0.8
Agnico-Eagle Mines	0.8
Eldorado Gold	0.7
Dress Barn (The)	0.7
Unit Corporation	0.7
AllianceBernstein Holding L.P.	0.7
MAXIMUS	0.7
Oil States International	0.7

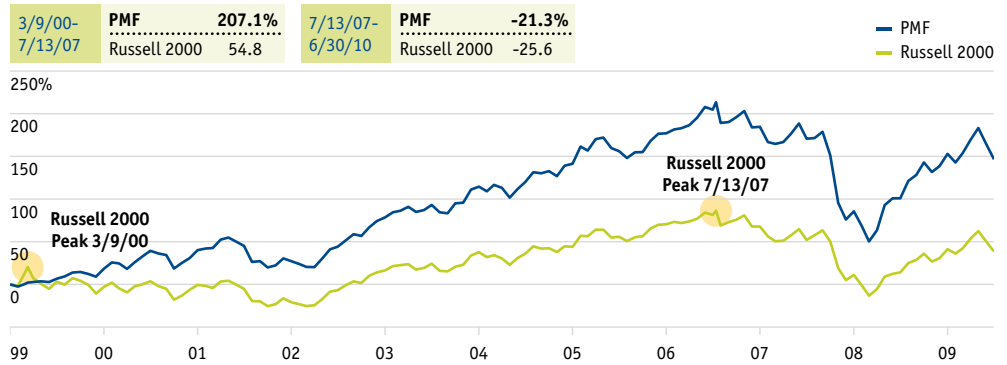
## PORTFOLIO SECTOR BREAKDOWN

% of Net Assets (Subject to Change)

Industrial Products	16.4%
Technology	14.9
Industrial Services	14.1
Natural Resources	13.3
Financial Intermediaries	8.8
Consumer Products	8.6
Health	8.3
Financial Services	8.1
Consumer Services	6.2
Utilities	0.0
Treasuries, Cash and Cash Equivalents	1.2

Top 200 holdings represented 78% of the equity portfolio as of 6/30/10.

## SMALL-CAP MARKET CYCLE PERFORMANCE



Royce Pennsylvania Mutual Fund outperformed the Russell 2000 from the 3/9/00 and 7/13/07 small-cap peaks.

## PERFORMANCE AND EXPENSES

Average Annual Total Return Through 6/30/10	PMF	Russell 2000
Second Quarter 2010*	-8.54%	-9.92%
Year-to-Date*	-2.54	-1.95
One-Year	22.74	21.48
Three-Year	-6.82	-8.60
Five-Year	2.30	0.37
10-Year	8.75	3.00
20-Year	9.95	8.16
25-Year	10.59	8.44
30-Year	12.67	n.a.
35-Year	13.89	n.a.

## Annual Expense Ratio

Operating Expenses	0.92%
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\*Not Annualized

## FUND INFORMATION AND PORTFOLIO DIAGNOSTICS

Fund Net Assets	\$5,038 million
Number of Holdings	536
Symbol	PENNX
Average Market Capitalization*	\$1,369 million
Weighted Average P/E Ratio**	16.0x
Weighted Average P/B Ratio	1.8x
U.S. Investments (% of Net Assets)	94.7%
Non-U.S. Investments (% of Net Assets)	4.1%

\* Geometrically calculated

\*\*The Fund's P/E ratio calculation excludes companies with zero or negative earnings (11% of portfolio holdings as of 6/30/10).

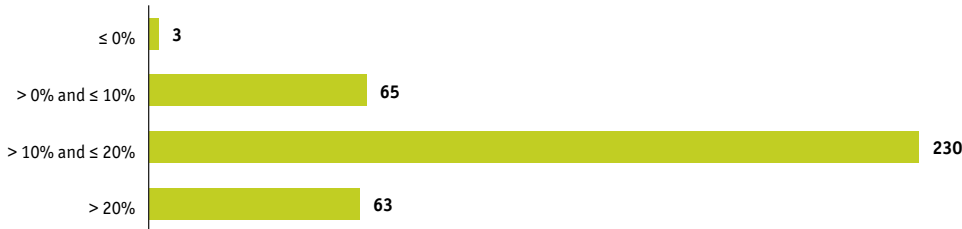
## Important Performance and Expense Information

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. 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](http://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.

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 International Securities" in the prospectus).

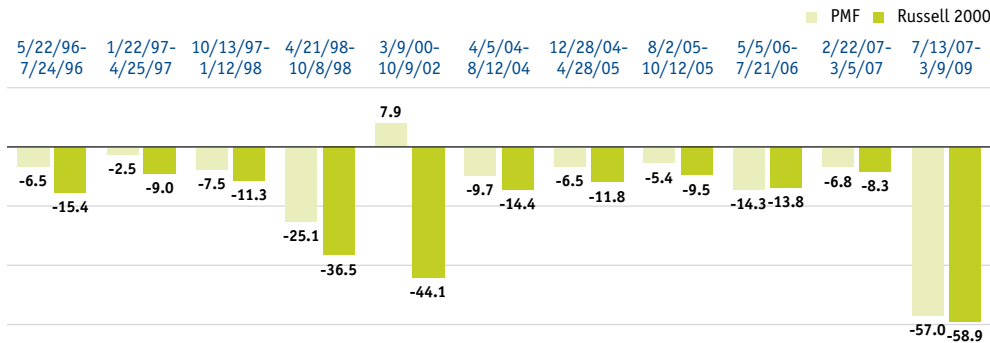
### ABSOLUTE RETURN FOCUS: FIVE-YEAR MONTHLY ROLLING RETURN PERIODS

Number of Five-Year Average Annual Return Periods: 35-Year Period Ended 6/30/10



81% of the time, five-year average annual total returns were greater than 10%.

### DOWN MARKET PERFORMANCE COMPARISON (In Percentages)



Royce Pennsylvania Mutual 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.

### RUSSELL 2000 DOWN QUARTERS Performance Comparison 15 Years Ended 6/30/10

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

Royce Pennsylvania Mutual Fund outperformed the Russell 2000 in 18 out of 23 down quarters.

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 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. 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.

NOT FDIC INSURED • MAY LOSE VALUE • NOT BANK GUARANTEED

### MORNINGSTAR STATISTICAL MEASURES\*

	Category PMF	Median	Best Quartile Breakpoint
Sharpe Ratio	0.09	0.01	0.09
Standard Deviation	21.21	21.35	20.18

\*Five years ended 6/30/10. Category Median and Best Quartile Breakpoint based on 315 small-cap objective funds (oldest class only) with at least five years of history.

Royce Pennsylvania Mutual Fund's value approach produced below average volatility relative to small-cap objective funds.

### RISK/RETURN COMPARISON

Five-Year Period Ended 6/30/10

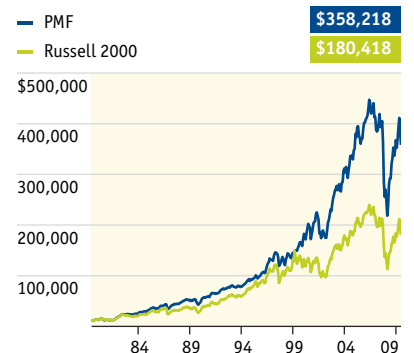
	Average Annual Total Return	Standard Deviation	Return Efficiency*
PMF	2.30%	21.21	0.11
Russell 2000	0.37	21.97	0.02

\*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, Royce Pennsylvania Mutual Fund outperformed the Russell 2000 on both an absolute and risk adjusted basis.

### PMF VS. RUSSELL 2000

Value of \$10,000 Invested on 06/30/80  
As of 6/30/10



### MARKET CAP EXPOSURE (In Millions)

