



# Royce Micro-Cap Opportunity Fund



**Bill Hench**  
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**Micro-Cap Value Approach<sup>1</sup>**

**\$450.2M**  
Avg Market Cap<sup>2</sup>

**High Volatility<sup>3</sup>**

**94%**  
Active Share<sup>4</sup>

**Fund Longevity**

**7+**  
Years of History

## Why invest in Royce Micro-Cap Opportunity Fund?

- Invests in a limited number of micro-cap companies (generally market caps up to \$1 billion) with low P/B and P/S ratios categorized into one of four themes: Turnarounds, Unrecognized Asset Values, Undervalued Growth, and Interrupted Earnings
- Identifies a catalyst for future earnings growth in the form of new management, more favorable business cycle, product innovation, and/or margin improvement
- Average annual total return of 13.7% since inception (8/31/10) through 9/30/17

## Performance and Expenses by Share Class

Average Annual Total Return through 9/30/17 (%)

	3Q2017*	YTD*	1-YR	3-YR	5-YR	SINCE INCEPT. (8/31/10)	ANNUAL OPERATING EXPENSES (%)	
							GROSS	NET
Investment	8.85	19.49	25.94	8.60	13.45	13.72	1.30	1.24
Service	8.74	19.28	25.67	8.37	13.28	13.59	3.37	1.49
Russell Microcap	6.65	11.16	22.33	12.16	13.89	15.53	N/A	N/A
Russell 2000	5.67	10.94	20.74	12.18	13.79	15.24	N/A	N/A

\*Not Annualized

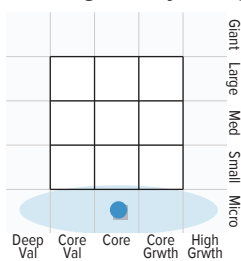
## Important Performance and Expense Information

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 30 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 month-end performance may be higher or lower than performance quoted and may be obtained at [www.roycefunds.com](http://www.roycefunds.com). Gross operating expenses for the Investment (ROSFX) or Service (ROSSX) Class reflect the Fund's total gross annual operating expenses and include management fees and other expenses for the Investment Class and management fees, 12b-1 distribution and service fees, and other expenses for the Service Class. All expense information is reported as of the Fund's most current prospectus. Royce & Associates has contractually agreed to waive fees and/or reimburse operating expenses to the extent necessary to maintain the Investment and Service Classes' net annual operating expenses (excluding brokerage commissions, taxes, interest, litigation expenses, acquired fund fees and expenses, and other expenses not borne in the ordinary course of business) at or below 1.24% and 1.49%, respectively, through April 30, 2018 and at or below 1.99% through April 30, 2027 for the Service Class.

All performance and risk information presented in this material prior to the commencement date of Service Class shares on 3/21/14 reflect Investment Class results. Service Class shares bear an annual distribution expense that is not borne by Investment Class shares. If Service Class's annual distribution expense had been reflected, total returns prior to 3/21/14 would have been lower. All performance charts reflect the Investment Class.

## Morningstar Style Map™

As of 6/30/17

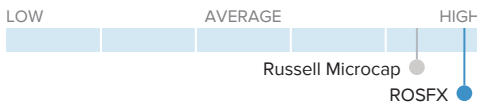


- Weighted average of holdings
- The center 75% of holdings
- Weighted average of holdings for Russell Microcap

The Morningstar Style Map is the Morningstar Style Box™ with the center 75% of fund holdings plotted as the Morningstar Ownership Zone™. The Morningstar Style Box is designed to reveal a fund's investment strategy. The Morningstar Ownership Zone provides detail about a portfolio's investment style by showing the range of stock sizes and styles. The Ownership Zone is derived by plotting each stock in the portfolio within the proprietary Morningstar Style Box. Over time, the shape and location of a fund's ownership zone may vary.

## High Volatility<sup>3</sup> As of 9/30/17

5-Year Relative Standard Deviation vs. all Small-Cap Funds tracked by Morningstar



## Portfolio Diagnostics

2016 Annual Turnover Rate	83%
Weighted Average P/B Ratio <sup>5</sup>	1.8x
Weighted Average P/S Ratio <sup>6</sup>	0.9x
Net Assets	\$54M
Number of Holdings	94
Non-U.S. Investments (% of Net Assets)	2.1%

## Top 10 Positions

% of Net Assets (Subject to Change)

FreightCar America	1.8
Beazer Homes USA	1.7
Gencor Industries	1.7
NMI Holdings Cl. A	1.7
Universal Stainless & Alloy Products	1.7
Inuivity	1.7
Alpha & Omega Semiconductor	1.6
GP Strategies	1.6
Ducommun	1.6
Castlight Health Cl. B	1.6

## Portfolio Sector Breakdown

% of Net Assets (Subject to Change)

	ROSFX	RUSSELL MICROCAP
Industrials	24.9	11.5
Information Technology	20.6	13.4
Health Care	17.0	23.0
Financials	8.7	24.7
Materials	8.6	3.1
Consumer Discretionary	6.4	11.7
Energy	4.5	4.8
Consumer Staples	2.6	1.8
Real Estate	1.1	3.8
Telecommunication Services	0.9	0.9
Utilities	—	1.2
Cash and Cash Equivalents	4.8	—

“I look for turnarounds where the process already appears to be under way or the firm’s sector or industry looks close to rebounding. It’s important for me to see evidence of positive change beginning to happen, so I like businesses that look like they’re on the road to earnings recovery.”—Bill Hench

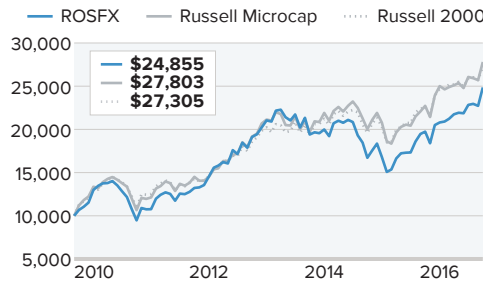
1. Royce classifies the Fund as ‘Value’ because it anticipates the portfolio will have a weighted average price-to-book ratio or weighted average normalized price to earnings ratio lower than the Russell Microcap Index. 2. **Geometric Average.** This weighted calculation uses each portfolio holding’s market cap in a way designed to not skew the effect of very large or small holdings; instead, it aims to better identify the portfolio’s center, which Royce believes offers a more accurate measure of average market cap than a simple mean or median. 3. **High Volatility.** The Fund was in the highest volatility quintile compared with all funds in Morningstar’s Small Growth, Small Blend, and Small Value Categories with at least five years of history, a total of 523 funds as of 9/30/17. The universe consists of each fund’s oldest share class only. Volatility quintiles are based on the average five-year standard deviation for each of the last four calendar quarters. Higher volatility is usually associated with higher risk. 4. **Active Share** is the sum of the absolute values of the different weightings of each holding in the Fund versus each holding in the benchmark, divided by two. 5. **Harmonic Average.** This weighted calculation evaluates a portfolio as if it were a single stock and measures it overall. It compares the total market value of the portfolio to the portfolio’s share in the earnings or book value, as the case may be, of its underlying stocks. 6. Price to Sales is calculated by dividing the company’s market cap by the revenue in the most recent year.

**Investment Themes as a Percentage of Assets as of 9/30/17**

- **Unrecognized Asset Values – 15%** Companies selling below probable liquidating value, franchise value, tangible book value, or physical asset value relative to plant or liquid assets.
- **Turnarounds – 23%** Companies recovering from depressed operating margins due to management changes or industry- and/or sector-specific factors.
- **Undervalued Growth – 31%** Companies that we believe can provide potential growth rates of at least 12%, have strong balance sheets and whose stock prices are selling at valuations that are low relative to comparable securities.
- **Interrupted Earnings – 31%** Companies that we believe have the potential for either a 20% annual growth rate or preeminent market position, accompanied by a price-earnings multiple substantially less than the expected growth rate.

**Value of \$10,000**

Invested on 8/31/10 as of 9/30/17 (\$)



**Calendar Year Total Returns (%)**

YEAR	ROSFX	RUSSELL MICROCAP
2016	23.8	20.4
2015	-16.0	-5.2
2014	-5.0	3.6
2013	44.6	45.6
2012	35.1	19.7
2011	-17.1	-9.3

**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 micro-cap stocks, which may involve considerably more risk than investing in larger-cap stocks. The Fund generally invests a significant portion of its assets in a limited number of stocks, which may involve considerably more risk than a more broadly diversified portfolio because a decline in the value of any of these stocks would cause the Fund's overall value to decline to a greater degree. (Please see "Primary Risks for Fund Investors" in the prospectus.) The Fund may invest up to 25% of its net assets in foreign securities (measured at the time of investment), 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 **Morningstar Style Map** uses proprietary scores of a stock's value and growth characteristics to determine its placement in one of the five categories listed on the horizontal axis. These characteristics are then compared to those of other stocks within the same market capitalization band. Each is scored from zero to 100 for both value and growth attributes. The value score is subtracted from the growth score to determine the overall style score. For the vertical, market cap axis, Morningstar subdivides into size groups. Giant-cap stocks are defined as those that account for the top 40% of the capitalization of each style zone; large-cap stocks represent the next 30%; mid-cap stocks the next 20%; small-cap stocks the next 7%; micro-cap stocks the smallest 3%. **The Price-to-Book**, or P/B, Ratio is calculated by dividing a company's share price by its book value per share. **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. Please read the prospectus for a more complete discussion of risk. Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and / or Russell ratings or underlying data and no party may rely on any Russell Indexes and / or Russell ratings and / or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication. The Russell Microcap Index includes 1000 of the smallest securities in the small-cap Russell 2000 Index. 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. The performance of an index does not represent exactly any particular investment, as you cannot invest directly in an index. 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. Any information, statements and opinions set forth herein are general in nature, are not directed to or based on the financial situation or needs of any particular investor, and do not constitute, and should not be construed as, investment advice, a forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional. Distributor: Royce Fund Services, LLC

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