

# Royce Opportunity (rypnx)

9/30/09 (unless otherwise indicated)

**Portfolio Manager:** Zaino/Hench  
**Manager Start Date:** 4/1/98  
**Investment Support:**  
**Category:** Small Value

**Top Sectors:** (industrials, hardware, consumer services)  
**Mstar Rating:** 3 star  
**Largest Holdings:** Veeco Instruments 0.9%  
 Bottomline Technologies 0.9%  
 Maxwell Technologies 0.8%  
 Ferro Corporation 0.8%  
 Dillards Cl. A 0.8%  
 4.2%

**Number of Holdings:** 279 stock 0.924 bond

## Qualitative Description: 6/22/09 - most recent report

This fund is highly volatile, but you can still use it to your advantage. Its crushing 45% loss last year put it in the gutter compared with small-value category peers, but it came rocketing back in the recent rally, propelled by many of the sectors that pulled the fund down last year. For example, many of the fund's hardware holdings--one of Morningstar's top-performing sectors this year--have staged a stunning rebound. Such names as computer company Cray and semiconductor firm Anadigics -which were pummeled last year--have more than doubled year to date through June 19, 2009. The end result has been a 20% gain this year (43% over the last three months), which is among the best in this category. That kind of whipsaw performance is more the rule than the exception given management's unique style. Zaino traffics heavily in the micro-cap arena--stocks with market caps less than \$500 million. In fact, the fund currently has more than half of its assets in these svelte names, which pushes the fund's average market cap down to just \$324 million, less than half that of the typical small-value rival. In general, smaller firms have more risk because they lack the financial resources and diversity of products to weather market downturns. Management's affinity for turnaround opportunities and special situations increases risk. That inherent volatility can be your friend--if used wisely. The fund's unique strategy makes it far less correlated with broad market indexes such as the S&P 500. So, a dash of micro-caps to an otherwise large-cap-dominated portfolio can provide solid diversification benefits, as in 2000 and 2001 when it was negatively correlated with the S&P 500. More recently, it has topped the S&P so far this year by 17%. For those who can handle the wild swings, this is a fine choice.

## Performance Record

	<u>+/- R2000V</u>	<u>+/- S&amp;P 500</u>	<u>% Rank in Cat</u>
<b>3-Month</b>	9.38%	16.47%	4
<b>1-Year</b>	12.90%	7.20%	22
<b>3-Year Annualized</b>	3.44%	2.22%	36
<b>5-Year Annualized</b>	1.88%	2.64%	26

## Morningstar Rating Risk/Return

	<u>Return</u>	<u>Risk</u>	<u>Rating</u>
<b>3-Year:</b>	Avg	High	2 star
<b>5-Year:</b>	Above Avg	High	2 star
<b>10-Year:</b>	Above Avg	High	3 star

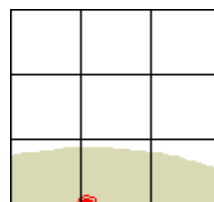
## % Investment in Various Economic Sectors

	<u>Benchmark</u>	<u>Option</u>	<u>rypnx</u>	<u>dfscx</u>	<u>jkk</u>	<u>tascx</u>	<u>mpscx</u>	<u>bcsix</u>
<b>Information Economy</b>	16.7	30	38.3	24.4	28.9	14.0	15.9	55.1
<b>Service Economy</b>	50.3	42	26.0	50.8	67.7	39.0	54.7	28.5
<b>Mfg. Economy</b>	33.1	27	35.7	24.8	3.4	47.0	29.4	16.4

**Assets in our Portfolio:** 10.5 mil  
**Assets Under Management:** 843 mil  
**AUM Last Year (2008):** 585 mil  
**AUM Three Years Ago (2006):** 1,808 mil

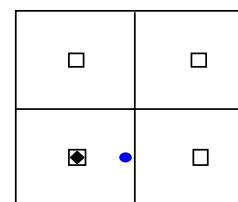
**Geo Average Market Cap:** 383 mil

## Ownership Zone



● zone represents 75% of domestic stock holdings  
 ● the centroid represents wghtd. avg. domestic stock holdings

## Return Based Style



● Manger  
 ◆ Benchmark

## Quantitative Description

**R-Squared (R2000V):** 91.00%  
**Alpha (R2000V):** 7.09%  
**Beta (R2000V):** 1.21  
**Turnover:** 52  
**Standard Deviation:** 32.42%  
**Sharpe Ratio:** -0.18  
**Info Ratio (R2000V):** 0.31

## Fiduciary Grade

**Overall Grade:** A  
**Regulatory Issues:** A  
**Board Quality:** C  
**Manager Incentives:** A  
**Fees:** A  
**Corporate Culture:** A

## Investment Valuation

**P/E (Prospective):** 17.2  
**P/B:** 0.9  
**P/Sales:** 0.3  
**P/Cash Flow:** 2.4  
**P/Dividend Yield:** 1.4

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## Rel. to Cat.

1.5  
 1.1  
 0.8  
 0.8  
 0.4

## Growth Rates

**Long Term Earnings:** 12.8  
**Historical Earnings:** 3.5  
**Sales Growth:** -1.6  
**Cash-Flow Growth:** -1.8  
**Book-Value Growth:** -12.5

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## Rel. to Cat.

1.3  
 0.6  
 -0.3  
 -1.2  
 6.4

## Expense Ratios

**Expense Ratio:** 1.10  
**Revenue Sharing:** 0.10  
**Our Expense Ratio:** 1.00