

ROYCE VALUE TRUST INC
Form N-CSRS
August 31, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT
OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-04875

Name of Registrant: Royce Value Trust, Inc.

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Date of fiscal year end: December 31

Date of reporting period: January 1, 2006 - June 30, 2006

Item 1: Reports to Shareholders

SEMIANNUAL REVIEW
AND
REPORT TO STOCKHOLDERS
2006

Royce Value Trust

Royce Micro-Cap Trust

Royce Focus Trust

www.roycefunds.com

TheRoyceFunds

VALUE INVESTING IN SMALL COMPANIES FOR MORE THAN 30 YEARS

A FEW WORDS ON CLOSED-END FUNDS

Royce & Associates, LLC manages three closed-end funds: Royce Value Trust, the first small-cap value closed-end fund offering; Royce Micro-Cap Trust, the only micro-cap closed-end fund; and Royce Focus Trust, a closed-end fund that invests in a limited number of primarily small-cap companies.

A closed-end fund is an investment company whose shares are listed on a stock exchange or are traded in the over-the-counter market. Like all investment companies, including open-end mutual funds, the assets of a closed-end fund are professionally managed in accordance with the investment objectives and policies approved by the fund's Board of Directors. A closed-end fund raises cash for investment by issuing a fixed number of shares through initial and other public offerings that may include periodic rights offerings. Proceeds from the offerings are invested in an actively managed portfolio of securities. Investors wanting to buy or sell shares of a publicly traded closed-end fund after the offerings must do so on a stock exchange or the Nasdaq market, as with any publicly traded stock. This is in contrast to open-end mutual funds, in which the fund sells and redeems its shares on a continuous basis.

A CLOSED-END FUND OFFERS SEVERAL DISTINCT ADVANTAGES NOT AVAILABLE FROM AN OPEN-END FUND STRUCTURE

□ Since a closed-end fund does not issue redeemable securities or offer its securities on a continuous basis, it does not need to liquidate securities or hold uninvested assets to meet investor demands for cash redemptions, as an open-end fund must.

□ In a closed-end fund, not having to meet investor redemption requests or invest at inopportune times is ideal for value managers who attempt to buy stocks when prices are depressed and sell securities when prices are high.

□ A closed-end fund may invest more freely in less liquid portfolio securities because it is not subject to potential stockholder redemption demands. This is particularly beneficial for Royce-managed closed-end funds, which invest in small- and micro-cap securities.

□ The fixed capital structure allows permanent leverage to be employed as a means to enhance capital appreciation potential.

□ Unlike Royce's open-end funds, our closed-end funds are able to distribute capital gains on a quarterly basis. Each of the Funds has adopted a quarterly distribution policy for its common stock.

We believe that the closed-end fund structure is very suitable for the long-term investor who understands the benefits of a stable pool of capital.

WHY DIVIDEND REINVESTMENT IS IMPORTANT

A very important component of an investor's total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. To get a fair idea of the impact of reinvested distributions, please see the charts on pages 13, 15 and 17. For additional information on the Funds' Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, please see page 19 or visit our website at www.roycefunds.com.

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For more than 30 years, we have used a value approach to invest in smaller-cap securities. We focus primarily on the quality of a company's balance sheet, its ability to generate free cash flow and other measures of profitability or sound financial condition. At times, we may also look at other factors, such as a company's unrecognized asset values, its future growth prospects or its turnaround potential following an earnings disappointment or other business difficulties. We then use these factors to assess the company's current worth, basing the assessment on either what we believe a knowledgeable buyer might pay to acquire the entire company, or what we think the value of the company should be in the stock market.

THIS PAGE IS NOT PART OF THE 2006 SEMIANNUAL REPORT TO STOCKHOLDERS | 1

fuel earnings, especially when a business is experiencing earnings trouble. Similarly, a company's ability to generate free cash flow is often linked to its ability to sustain positive earnings and to generate high internal rates of return. We think that it's a positive sign

The thoughts expressed in this Review and Report to Stockholders concerning recent market movements and future prospects for small company stocks are solely the opinion of Royce at June 30, 2006, and, of course, historical market trends are not necessarily indicative of future market movements. Statements regarding the future prospects for particular securities held in the Funds' portfolios and Royce's investment intentions with respect to those securities reflect Royce's opinions as of June 30, 2006 and are subject to change at any time without notice. There can be no assurance that securities mentioned in this Review and Report to Stockholders will be included in any Royce-managed portfolio in the future.

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THE 2006 SEMIANNUAL
REPORT TO STOCKHOLDERS

LETTER TO OUR STOCKHOLDERS

Value In Vogue?

After three full decades managing small-cap value portfolios, we thought that we had seen all of the various movements, fads and trends that periodically capture the imaginations (to say nothing of the wallets) of investors. It was always easy for us to be amused at such things. **Being value investors, with that term's inherent sense of caution and conservatism, we have always measured a comfortable distance between the work that we do and anything that smacks of trends in equity investing.** With its emphasis on attributes such as patience and diligence, with its demands of long hours of detailed research, value seems by nature not simply unfashionable, but nearly impervious to the short-term mindsets that typically dominate the stock market equivalent of the runways of Paris, Milan and Manhattan. Even earlier in the current decade, when value, especially small-cap value, began scoring high returns and glowing press, it did not appear to capture the investment *zeitgeist* in quite the same way that large-cap or Technology investments had during the '90s. This was more than all right with us. After all, we're not exactly high-fashion material (there's a reason we always look better in cartoon form), and we did not think that our approach was, either.

Yet here we are just past the halfway mark of 2006, and in our view small-cap value investing is nearing the end of its stint as domestic investment's hottest approach. How did our style become so stylish? Its success over the last several years occurred during a period in which few alternatives in the domestic equity universe could compete with its strong results. **As measured by the Russell 2000, small-cap bested large-cap (as measured by the S&P 500) for the one-, three-, five-, 10- and 15-year periods ended 6/30/06.** In turn, the Russell 2000 Value index outperformed the Russell 2000 for each of these periods as well as the 20- and

The market still awaits Next Year's Model, but small-cap value's unexpected turn on the runway should hardly result in obsolescence.

LETTER TO OUR STOCKHOLDERS

when earnings and cash flows

are closely aligned.

Cash flow is usually defined as the

amount of net cash that a company

brings in that may be used for

various company purposes, such as

to build assets or pay dividends.

(Cash flow can also be negative, in

which case there are no funds with

which to further capitalize business

activities or make payouts to

shareholders.) For most businesses,

cash flow comes from three

activities—operations, investment

and financing.

Our preference in most cases is for a

company that generates the bulk of

its net cash flow from

25-year periods ended 6/30/06. These terrific results led to the plainly dressed small-cap value approach attracting speculative dollars from short-term investors, money hungry for the Next Big Thing that probably originated from those whose only experience with smaller stocks would most likely have come on the growth side. It was not long ago that this activity would have been difficult, if not impossible, without considered investments in specific small-cap stocks or astute choices in small-cap value mutual funds. However, with the advent of investment vehicles such as ETFs (Exchange Traded Funds), moving quickly in and out of virtually any equity style index has become more convenient for investors of all tastes, temperaments and time frames.

What becomes of investment approaches when they are no longer considered the most fashionable? We suspect that styles such as ours will manage just fine beyond the glare of the hot lights just as they did before they became trendy. Although the last few years have been wonderful, the rally has been top-heavy with an extended run for energy stocks (that may not be over) and shorter, less stellar bursts in other areas. This leaves ample room for potential growth in those places that have enjoyed only intermittent success or have been mostly left out. The market still awaits Next Year's Model, but small-cap value's unexpected turn on the runway should hardly result in obsolescence.

Is Large the New Small?

Our track record for large-scale stock market prognostication is checkered at best—we like to joke that we've called 10 of the last three corrections. Still, the case for emerging large-cap leadership remains compelling to us, even as it's also important to re-assert our view that any leadership phase in the coming months is likely to be short-lived, whether for large-caps, as measured by the S&P 500,

*operations,
from the day-to-day
activities of its
business. Cash flow from
operations
is also significant
because it may
likely affect the other
two activities.
Although they are similar
in that they help us to
understand
a company's
profitability, cash flow
differs from earnings
(the profits a
company makes) because
it
also takes into account
certain non-
cash accounting items,
most
importantly depreciation.*

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or small-caps, as measured by the Russell 2000. The 10-year period ended 12/31/05 offered an almost eerily symmetrical split between long-term periods first of large-cap, then of small-cap dominance. We do not expect anything resembling the previous 10 years in terms of the time span of asset-class leadership or the breadth in performance spreads. We continue to believe that the stock market will be characterized by frequent leadership rotation and low returns.

After narrowly outperforming small-cap stocks in 2005, large-caps took their by-now-familiar position in the back seat to small-cap during the first half of 2006. The Russell 2000 was up 8.2% for the year-to-date period ended 6/30/06, versus a gain of 2.7% for the S&P 500 (and a loss of 1.5% for the still-struggling Nasdaq Composite). Small-cap's advantage came primarily from its considerable outperformance in the bullish first quarter, when the Russell 2000 was up 13.9% versus a gain of 4.2% for the S&P 500. When stock prices began to correct in the second quarter, large-cap outperformed (-1.4% for the S&P 500 versus -5.0%

for the Russell 2000). The pattern of small-cap leading in brief up-market phases then ceding leadership to large-cap during equally brief downturns dates back to 2003.

The down-market resilience of large-cap stocks seems to us to be the central story of the recent decline. Our earlier contention, made in our *2005 Annual Review and Report*, was that large-cap would lose less during declines, which has been the case so far in 2006. We also surmised that small-cap would have an edge in any subsequent rally, which held true in the first quarter. Yet we are no longer convinced that small-cap will lead in every subsequent bullish phase. An underreported element in the downturn was the tightening of liquidity on a worldwide level. **The combination of better near-term down market results for large-cap stocks and the widespread liquidity crunch is likely to draw investors in the short run to cash, bonds and what they perceive to be stable, high-quality equities. In other words, the unfashionable nature of large-cap stocks may be exactly what helps to make them fashionable again.**

Value—Always in Style?

Of course, no style has been more fashionable in the current decade than small-cap value. However much we may think of our work as an all-weather strategy—a fashion perennial more akin to a navy blazer or black cocktail dress than the latest creations adorning the windows of boutiques on Rodeo Drive—there’s no denying the recent attraction of small-cap value for investors burdened with what we would describe as the investment equivalent of short attention spans. And its long run in the current decade has indeed been wildly impressive. The Russell 2000 Value index outpaced its small-cap growth counterpart, as measured by the Russell 2000 Growth index, for the one-, three-, five-, 10-, 15-, 20- and 25-year periods ended 6/30/06. One notable aspect of small-cap value’s remarkable run in the current decade has been its absolute and relative strength during the most recent long-term

We do not expect anything resembling the previous 10 years in terms of the time span of asset-class leadership or the breadth in performance spreads. We continue to believe that the stock market will be characterized by frequent leadership rotation and low returns.

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A company's statement of cash flows is crucial, because it provides a record of how the firm has handled cash inflows and outflows over a given quarterly or annual period.

It also helps to reconcile information found on the balance sheet (which shows a firm's assets and liabilities) and the income statement (which shows all revenue, costs, expenses and earnings).

While the balance sheet can be used to determine the increase or decrease in assets and the income statement shows the profits that have made an impact

up-market period. From the small-cap market trough on 10/9/02 through 6/30/06, the Russell 2000 Value index gained 140.1% versus 123.1% for the Russell 2000 Growth index. Small-cap value's recent short-term returns were also strong. For the year-to-date period ended 6/30/06, the small-cap value index was up 10.4% versus 6.1% for the small-cap growth index. Although it trailed growth in the first quarter (+13.5% versus +14.4%), it moved ahead in the second, -2.7% versus -7.3%.

Investors can thus be forgiven if they're a little anxious about small-cap value's ongoing prospects. Our admittedly biased view is that small-cap value should be all right, even if its days of doing star turns on the most chic runways may be drawing to a close. Although returns for the approach seldom reached the same levels, its performance in the current decade is analogous to some degree to what large-cap stocks were during the mid-to-late '90s—a fashionable area where people were putting money almost to the exclusion of the rest of the stock market. Now that the attention seems to be waning, we are finally beginning to see valuations come back to what we regard as more sensible levels throughout the small-cap world, although the number of bargains as of this writing is still not as plentiful as we would like.

Royce on the Runway

While the first six months of 2006 were terrific for the Russell 2000 (and the Russell 2000 Value index), results were slightly more mixed for our three closed-end offerings. All three Funds posted strong net asset

*on that growth (or lack thereof),
the statement of cash flows gives
us an idea of how that growth
was financed. It tells the story of
where the money came from and
where it went.*

*This is especially relevant for
capital-intensive businesses such as
industrial companies that maintain
physical plants and own stores of
equipment that will eventually
need upgrading or replacing.*

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value (NAV) results on an absolute basis, but Royce Focus Trust narrowly trailed the Russell 2000 on that basis. However, this was only a small blemish, especially in the wider context of longer-term returns for periods ended 6/30/06. Over market cycle and other long-term time periods, each Fund posted impressive absolute and relative returns on both an NAV and market price basis. These are the time spans that matter most to us in evaluating performance.

Both in our portfolios and the small-cap world as a whole, energy stocks enjoyed a strong first half, as did many Industrial Products and Services companies. However, these were not the only three areas in which Fund performance was strong in the first half. Technology companies also made a sizeable positive contribution to performance. In fact, net

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Without positive cash flow, these businesses are likely to have trouble keeping up with more profitable, cash-laden competitors. In such businesses, we like to see cash flows that are greater than earnings because it means that the company's depreciation expenses are healthy. In high-returning businesses, we prefer that cash flows be reinvested at high returns.

In all cases, regardless of the type of business, we want to see cash flows used intelligently. To our way of thinking, this means reinvesting in the business or paying dividends

Five Years of Fashion

Most small-cap market cycles have been much shorter than the current cycle's nearly six-year time span, with the average length of the eight completed cycles in the history of the Russell 2000 being 3.3 years. The shortest was little more than one-and-a-quarter years (2/8/80-6/15/81), while the longest lasted approximately six-and-a-half years (10/9/89-5/22/96). If the current cycle were to end soon, it would be the second longest on record. This is one of the reasons why we evaluate Fund performance on an absolute basis over long-term periods, such as five years, in addition to full market cycles. Examining five-year periods is especially useful because they typically include all of or most of a full market cycle, sometimes two. In addition, examining rolling five-year results gives a better picture of long-term market trends, and can also provide insight into what we might expect as the market moves forward.

There have been 269 monthly trailing five-year return periods since the Russell 2000's inception on 12/31/78. From inception through 6/30/06, the index's five-year return was less than zero in only 3% of these periods. The index provided positive single-digit returns more than 40% of the time and double-digit returns 56% of the time. **Over the entire period, the average of all of the 269 five-year average annual total return periods was 11.6%. In the case of small-cap value, the results are even stronger.** The Russell 2000 Value index did not

to shareholders. As with most

things, we think about the longterm

picture when it comes to cash

flow. We may be willing to buy a

firm in a negative cash flow

moment if we think the firm is

capable of righting itself. However,

cash flow problems should be

temporary as few factors signal

quality more definitively than

stable, growing cash flows.

have any negative five-year return periods since its inception and produced positive single-digit returns in 17% of the periods. In an impressive 83% of the periods, the value index produced double-digit five-year average annual total returns, averaging 14.5% for all of the 269 return periods. (Please see the following page for more details.)

The foregoing is in large part why we believe that small-caps continually offer the potential to produce above-average returns over long-term time horizons, and why we regard them as a necessary component in any asset allocation plan. Fashions come and go, but we believe that approaches such as ours, those that patiently strive to build wealth over the long haul, have what it takes to remain successful no matter what happens to be in (or out) of style elsewhere in the investment world.

Sincerely,

Charles M.
Royce
President

W. Whitney
George
Vice President

Jack E. Fockler,
Jr.
Vice President

July 31,
2006

The Russell 2000 Value index did not have any negative five-year return periods since its inception and produced positive single-digit returns in 17% of the periods. In an impressive 83% of the periods, the value index produced double-digit five-year average annual total returns, averaging 14.5% for all of the 269 return periods.

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Consumer Products	4.6
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Miscellaneous	1.6
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Cash and Cash Equivalents	20.2

RISK/RETURN COMPARISON			
Three-Year Period Ended 6/30/06			
	Average Annual Total Return	Standard Deviation	Return Efficiency*
RVT (NAV)	21.3%	14.1	1.51
S&P 600	20.5	13.7	1.50
Russell 2000	18.7	14.6	1.28

* Return Efficiency is the average annual total return divided by the annualized standard deviation over a designated time period.

¹ Reflects the cumulative total return of an investment made by a stockholder who purchased one share at inception (\$10.00 IPO), reinvested all annual distributions as indicated and fully participated in primary subscriptions of the Fund's rights offerings.

² Reflects the actual market price of one share as it traded on the NYSE.

