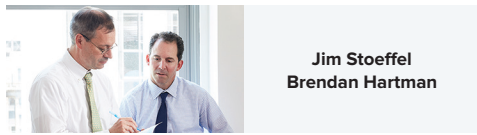




# Royce Capital Fund—Micro-Cap Portfolio



Jim Stoeffel  
Brendan Hartman

**Micro-Cap Core Approach<sup>1</sup>**

**\$455.3M**  
Avg Market Cap<sup>2</sup>

**Below Average Volatility<sup>3</sup>**

**90%**  
Active Share<sup>4</sup>

**Fund Longevity**

**21+**  
Years of History

## Why invest in Royce Capital Fund—Micro-Cap Portfolio?

- One of the only variable annuity products dedicated to investing in micro-cap stocks (generally market caps up to \$1 billion)
- Core approach that combines multiple investment themes and offers wide exposure to micro-cap stocks by investing in companies with strong fundamentals and/or prospects selling at prices that Royce believes do not fully reflect these attributes
- Approach emphasizes the intersection of valuation with fundamental strength and/or excellent growth or turnaround potential

## Performance and Expenses by Share Class

Average Annual Total Return through 3/31/18 (%)

|                  | 1Q2018* | 1-YR  | 3-YR | 5-YR  | 10-YR | 15-YR | 20-YR | SINCE INCEPT. (12/27/96) | ANNUAL OPERATING EXPENSES (%) |      |
|------------------|---------|-------|------|-------|-------|-------|-------|--------------------------|-------------------------------|------|
|                  |         |       |      |       |       |       |       |                          | GROSS                         | NET  |
| Investment       | 0.19    | 6.25  | 3.43 | 4.69  | 4.42  | 9.03  | 8.93  | 9.84                     | 1.44                          | 1.44 |
| Service          | 0.10    | 5.99  | 3.21 | 4.44  | 4.20  | 8.85  | 8.80  | 9.71                     | 1.73                          | 1.66 |
| Russell Microcap | 0.68    | 13.50 | 8.04 | 11.76 | 9.19  | 10.58 | N/A   | N/A                      | N/A                           | N/A  |
| Russell 2000     | -0.08   | 11.79 | 8.39 | 11.47 | 9.84  | 11.50 | 7.37  | 8.48                     | N/A                           | N/A  |

\*Not Annualized

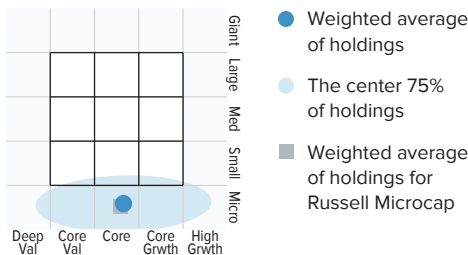
## Important Performance and Expense Information

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. Current month-end performance may be higher or lower than performance quoted and may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The Fund's total returns do not reflect any deduction for charges or expenses of the variable contracts investing in the Fund. Operating expenses reflect the Fund's total annual operating expenses for the Investment (RCMCX) Class and include management fees, other expenses, and acquired fund fees and expenses. Gross operating expenses for the Service (RCMSX) Class reflect the Fund's gross total annual operating expenses and include management fees, 12b-1 distribution and service fees, other expenses, and acquired fund fees and expenses. Net operating expenses reflect contractual fee waivers and/or expense reimbursements. All expense information is reported as of the Fund's prospectus dated 9/6/17. Royce & Associates has contractually agreed to waive fees and/or reimburse operating expenses to the extent necessary to maintain the Service Class's 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 1.58% through April 30, 2018. Acquired fund fees and expenses reflect the estimated amount of the fees and expenses incurred indirectly by the Fund through its investments in mutual funds, hedge funds, private equity funds, and other investment companies.

All performance and risk information presented in this material prior to the commencement date of Service Class shares on 5/2/06 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 5/2/06 would have been lower. All performance charts reflect the Investment Class.

## Morningstar Style Map™

As of 12/31/17

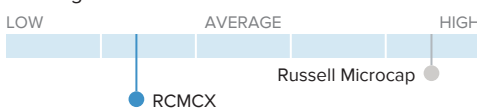


The Morningstar Style Map is the Morningstar Style Box™ with the center 75% of fund holdings plotted as the Morningstar Ownership Zone™. The Morningstar Style Box is designed to reveal a fund's investment strategy. The Morningstar Ownership Zone provides detail about a portfolio's investment style by 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.

## Below Average Volatility<sup>3</sup>

As of 3/31/18

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



## Portfolio Diagnostics

|   |        |
|---|--------|
| 2017 Annual Turnover Rate                 | 30%    |
| Weighted Average P/E Ratio <sup>5,6</sup> | 23.4x  |
| Weighted Average P/B Ratio <sup>5</sup>   | 1.9x   |
| Net Assets                                | \$185M |
| Number of Holdings                        | 144    |
| Non-U.S. Investments (% of Net Assets)    | 11.3%  |

## Relative Returns: Monthly Rolling Average Annual Return Periods

Since Russell Microcap's Inception (6/30/00) Through 3/31/18

On a monthly rolling basis, the Fund outperformed the Russell Microcap in 59% of all 10-year periods; 59% of all 5-year periods; and 49% of all 1-year periods.

|         | PERIODS BEATING THE INDEX |     | RCMCX AVG* | INDEX AVG* |
|---------|---------------------------|-----|------------|------------|
| 10-year | 55/94                     | 59% | 6.8        | 6.3        |
| 5-year  | 91/154                    | 59% | 7.7        | 8.2        |
| 1-year  | 99/202                    | 49% | 10.4       | 10.7       |

\*Average of monthly rolling average annual total returns over the specified periods.

## Absolute Returns: 10-Year Monthly Rolling Return Periods

Number of 10-Year Average Annual Return Periods From 12/27/96 to 3/31/18

RCMCX averaged a 8.9% return over all 136 10-year monthly rolling return periods.

| RETURN RANGE (%) | PERIODS | % IN RANGE |
|------------------|---------|------------|
| > 10             | 54      | 40         |
| > 5 and ≤ 10     | 50      | 37         |
| > 0 and ≤ 5      | 32      | 24         |
| ≤ 0              | 0       | 0          |

“The micro-cap universe offers plenty of opportunities for us to find companies that are lightly researched or mispriced. Using multiple approaches gives us exposure to the entire asset class while our discipline keeps us focused on the fundamental business strengths that we think can create strong long-term performance.”—Jim Stoeffel

1. Royce classifies the Fund as 'Core' because it anticipates the portfolio will have a weighted average price-to-book ratio or weighted average normalized price to earnings ratio that is similar to, or somewhat higher 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. **Below Average Volatility.** The Fund was in the second-lowest volatility quintile compared with all funds in Morningstar's Insurance Fund Small Growth, Insurance Fund Small Blend, and Insurance Fund Small Value Categories with at least five years of history, a total of 110 funds as of 3/31/18. 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. The Fund's P/E Ratio calculation uses trailing 12-month earnings and excludes companies with zero or negative earnings (25% of portfolio holdings as of 3/31/18).

**Top 10 Positions**

% of Net Assets (Subject to Change)

|                                    |     |
|------------------------------------|-----|
| QAD Cl. A                          | 1.2 |
| Stoneridge                         | 1.2 |
| Citi Trends                        | 1.1 |
| Encore Wire                        | 1.0 |
| Heidrick & Struggles International | 1.0 |
| Shoe Carnival                      | 1.0 |
| CryoLife                           | 1.0 |
| Marten Transport                   | 1.0 |
| AtriCure                           | 0.9 |
| Vishay Precision Group             | 0.9 |

**Portfolio Sector Breakdown**

% of Net Assets (Subject to Change)

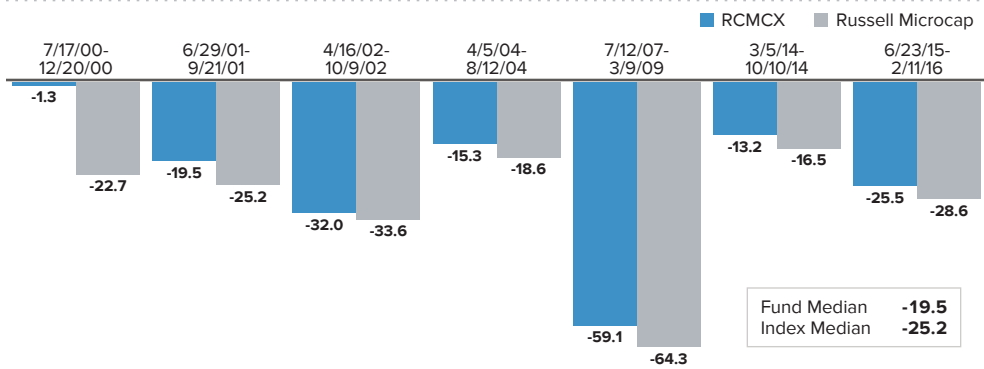
|                            | RCMCX | RUSSELL MICROCAP |
|----------------------------|-------|------------------|
| Industrials                | 21.0  | 11.7             |
| Information Technology     | 18.9  | 12.5             |
| Financials                 | 15.7  | 23.8             |
| Consumer Discretionary     | 14.4  | 11.7             |
| Health Care                | 9.4   | 25.6             |
| Energy                     | 5.8   | 4.6              |
| Materials                  | 4.9   | 3.1              |
| Real Estate                | 2.3   | 3.4              |
| Consumer Staples           | 1.8   | 1.9              |
| Telecommunication Services | 0.6   | 0.8              |
| Utilities                  | —     | 1.1              |
| Cash and Cash Equivalents  | 5.0   | —                |

**Calendar Year Total Returns (%)**

| YEAR | RCMCX | RUSSELL MICROCAP |
|------|-------|------------------|
| 2017 | 5.2   | 13.2             |
| 2016 | 19.7  | 20.4             |
| 2015 | -12.5 | -5.2             |
| 2014 | -3.6  | 3.6              |
| 2013 | 21.0  | 45.6             |
| 2012 | 7.6   | 19.7             |
| 2011 | -12.1 | -9.3             |
| 2010 | 30.1  | 28.9             |
| 2009 | 57.9  | 27.5             |
| 2008 | -43.3 | -39.8            |
| 2007 | 4.0   | -8.0             |
| 2006 | 21.1  | 16.5             |
| 2005 | 11.6  | 2.6              |
| 2004 | 13.8  | 14.1             |
| 2003 | 49.2  | 66.4             |

**Down Market Performance Comparison (%)**

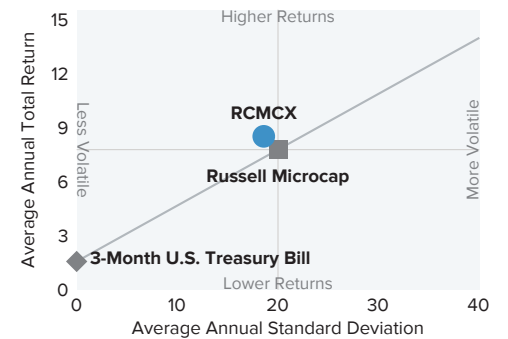
The Fund outperformed the Russell Microcap during all seven downturns of 15% or more from the index's prior historical high since the index's inception.



**Long-Term Risk/Return Profile**

From 6/30/00 (Russell Microcap Inception) to 3/31/18 (%)

The Fund had a higher return than the Russell Microcap with lower volatility.



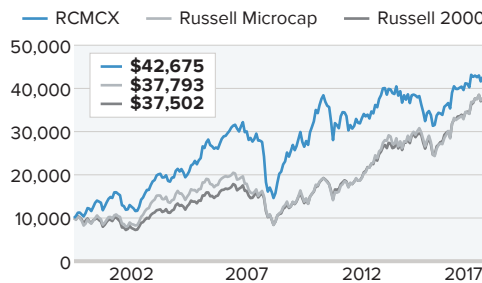
**Market Cycle<sup>1</sup> Performance (%)**

|                                   | RCMCX | RUSSELL MICROCAP |
|-----------------------------------|-------|------------------|
| 6/23/15-3/31/18 (Peak-to-Current) | 8.9   | 18.7             |
| 3/5/14-6/23/15 (Peak-to-Peak)     | -3.4  | 6.4              |
| 7/12/07-3/5/14 (Peak-to-Peak)     | 25.4  | 44.7             |
| 4/5/04-7/12/07 (Peak-to-Peak)     | 55.5  | 31.7             |

<sup>1</sup>Royce defines market cycles as peak-to-peak periods in which a peak is the market high prior to a decline of at least 15%.

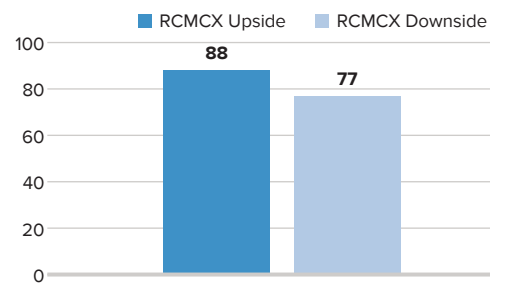
**Value of \$10,000**

Invested on 6/30/00 (Russell Microcap Inception) as of 3/31/18 (\$)



**Upside/Downside Capture Ratio**

From 6/30/00 (Russell Microcap Inception) to 3/31/18 (%)



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 investments in securities of larger-cap companies. (Please see "Primary Risks for Fund Investors" in the prospectus.) The Fund's broadly diversified portfolio does not ensure a profit or guarantee against loss. 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%.

**Upside Capture Ratio** measures a manager's performance in up markets relative to the Fund's benchmark (Russell Microcap). It is calculated by measuring the Fund's performance in quarters when the benchmark goes up and dividing it by the benchmark's return in those quarters. **Downside Capture Ratio** measures a manager's performance in down markets relative to the Fund's benchmark (Russell Microcap). It is calculated by measuring the Fund's performance in quarters when the benchmark goes down and dividing it by the benchmark's return in those quarters. The **Price-Earnings**, or P/E, Ratio is calculated by dividing a company's share price by its trailing 12-month earnings-per-share (EPS). 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 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 Russell Microcap Index includes 1,000 of the smallest securities in the small-cap Russell 2000 Index, along with the next smallest eligible securities as determined by Russell. 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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