



# Royce Pennsylvania Mutual Fund®



**Chuck Royce**  
**Jay Kaplan, CFA**  
**Lauren Romeo, CFA**

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

**\$1.72<sub>B</sub>**  
Avg Market Cap<sup>2</sup>

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

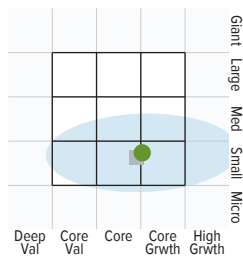
**88%**  
Active Share<sup>4</sup>

**Lead Manager Tenure**

**46+**  
Years on Fund<sup>5</sup>

## Morningstar Style Map™

As of 9/30/18



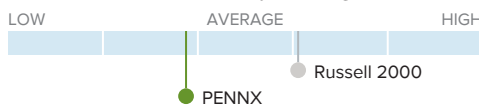
- Weighted average of holdings
- The center 75% of holdings
- Weighted average of holdings for Russell 2000

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 12/31/18

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



## Portfolio Diagnostics

2018 Annual Turnover Rate	35%
Weighted Average P/E Ratio <sup>6,7</sup>	14.8x
Weighted Average P/B Ratio <sup>6</sup>	2.0x
Net Assets	\$1,579M
Number of Holdings	269
Non-U.S. Investments (% of Net Assets)	10.7%

## Why invest in Royce Pennsylvania Mutual Fund®?

- One of the first open-end small-cap funds, managed for more than 40 years by the same portfolio manager—a recognized pioneer of small-cap investing
- Multi-discipline approach that offers exposure to strategies that have tended to perform well in different market environments, including High Quality, Traditional Value, and Special Situations, among other approaches.
- Provided average annual total returns of 10% or higher in 76% of all monthly rolling 10-year periods ended 12/31/18 since Chuck Royce began to manage the Fund in November 1972

## Performance and Expenses by Share Class

Average Annual Total Return through 12/31/18 (%)

	4Q2018*	1-YR	3-YR	5-YR	10-YR	15-YR	20-YR	30-YR	45-YR	ANNUAL OPERATING EXPENSES (%)	
										GROSS	NET
Institutional	-18.24	-9.56	10.07	3.29	11.44	7.77	9.20	10.05	13.23	0.83	0.83
Investment	-18.35	-9.66	9.92	3.15	11.34	7.71	9.15	10.02	13.20	0.92	0.92
Service	-18.38	-9.96	9.59	2.84	11.07	7.47	8.97	9.90	13.12	1.27	1.27
Russell 2000	-20.20	-11.01	7.36	4.41	11.97	7.50	7.40	9.21	N/A	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. (Institutional Class shares are not subject to the redemption fee.) Current month-end performance may be higher or lower than performance quoted and may be obtained at [www.roycefunds.com](http://www.roycefunds.com). Operating expenses reflect the Fund's total annual operating expenses for the Investment (PENNX), Service (RYPFY), or Institutional (RPMIX) Class as of the Fund's most current prospectus and include management fees and other expenses for the Investment or Institutional Class and management fees, 12b-1 distribution and service fees and other expenses for the Service Class.

All performance and risk information presented in this material prior to the commencement date of Service Class shares on 11/8/05 and Institutional Class shares on 6/3/11 reflect Investment Class results. Service Class shares bear an annual distribution expense that is not borne by Investment or Institutional Class shares. If Service Class's annual distribution expense had been reflected, total returns prior to 11/8/05 would have been lower. The Investment and Institutional Classes would have substantially similar returns because all classes invest in the same portfolio of securities, differing only to the extent that the classes have different expenses. All performance charts reflect the Investment Class.

## Relative Returns: Monthly Rolling Average Annual Return Periods

20 Years Through 12/31/18

On a monthly rolling basis, the Fund outperformed the Russell 2000 in 60% of all 10-year periods; 60% of all 5-year periods; and 56% of all 1-year periods.

	PERIODS BEATING THE INDEX	PENNX AVG*	INDEX AVG*
10-year	73/121	60%	8.5
5-year	109/181	60%	10.1
1-year	129/229	56%	12.0

\*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 11/30/72 to 12/31/18

PENNX averaged a 13.4% return over all 434 10-year monthly rolling return periods.

RETURN RANGE (%)	PERIODS	% IN RANGE
> 10	329	76
> 5 and ≤ 10	101	23
> 0 and ≤ 5	4	1
≤ 0	0	0

“Our task is to scour the large and diverse universe of small-cap companies for businesses that look mispriced and underappreciated, with the caveat being that they must also have a discernible margin of safety. We are looking for stocks trading at a discount to our estimate of their worth as businesses.”—Chuck Royce

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 2000 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 Small Growth, Small Blend, and Small Value Categories with at least five years of history, a total of 536 funds as of 12/31/18. 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. Mr. Royce has been the Fund's manager since 1972. 6. **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. 7. The Fund's P/E Ratio calculation uses trailing 12-month earnings and excludes companies with zero or negative earnings (11% of portfolio holdings as of 12/31/18).

**Top 10 Positions**

% of Net Assets (Subject to Change)

Top 200 holdings represented 95% of the Fund's equity investments as of 12/31/18.

FLIR Systems	2.1
HEICO Corporation	1.9
First Citizens BancShares Cl. A	1.6
Quaker Chemical	1.5
Sun Hydraulics	1.3
Raven Industries	1.3
SEACOR Holdings	1.2
E-L Financial	1.1
Stella-Jones	1.0
Genworth MI Canada	1.0

**Portfolio Sector Breakdown**

% of Net Assets (Subject to Change)

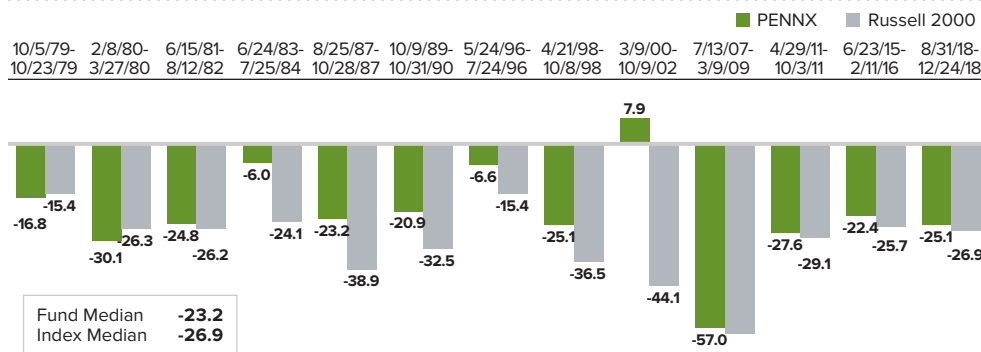
	PENN	RUSSELL 2000
Industrials	26.9	14.8
Information Technology	21.0	14.7
Financials	16.8	18.2
Materials	9.4	3.7
Consumer Discretionary	7.7	12.2
Health Care	7.2	15.5
Energy	3.8	3.5
Real Estate	3.3	7.2
Communication Services	1.4	3.3
Consumer Staples	1.4	2.9
Utilities	—	3.8
Cash and Cash Equivalents	0.9	—

**Calendar Year Total Returns (%)**

YEAR	PENN	RUSSELL 2000
2018	-9.7	-11.0
2017	16.2	14.6
2016	26.5	21.3
2015	-11.4	-4.4
2014	-0.7	4.9
2013	35.3	38.8
2012	14.6	16.3
2011	-4.2	-4.2
2010	23.9	26.9
2009	36.3	27.2
2008	-34.8	-33.8
2007	2.8	-1.6
2006	14.8	18.4
2005	12.5	4.6
2004	20.2	18.3

**Down Market Performance Comparison (%)**

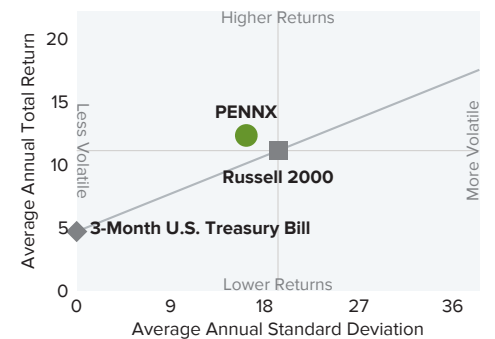
The Fund outperformed the Russell 2000 during 11 out of 13 downturns of 15% or more from the index's prior historical high since the index's inception.



**Long-Term Risk/Return Profile**

Russell 2000 Inception (12/31/78) to 12/31/18 (%)

The Fund had a higher return than the Russell 2000 with lower volatility.



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

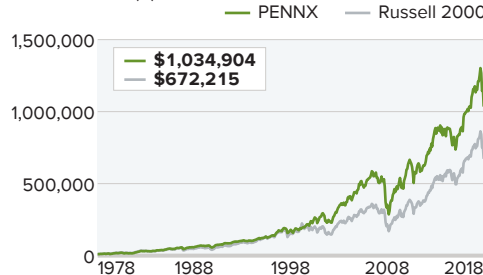
The Fund outperformed the Russell 2000 from the 8/31/18 index peak through current (12/31/18) and in two of the three most recent full market cycle periods.

	PENN	RUSSELL 2000
8/31/18-12/31/18 (Peak-to-Current)	-20.5	-22.1
6/23/15-8/31/18 (Peak-to-Peak)	43.6	40.4
4/29/11-6/23/15 (Peak-to-Peak)	36.2	58.5
7/13/07-4/29/11 (Peak-to-Peak)	11.6	6.6

<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%.

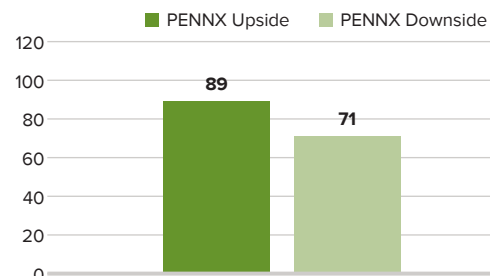
**Value of \$10,000**

Invested on 12/29/78 (Russell 2000 Inception) as of 12/31/18 (\$)



**Upside/Downside Capture Ratio**

Russell 2000 Inception (12/31/78) to 12/31/18 (%)



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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 2000). 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 2000). 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<sup>®</sup> 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 performance of an index does not represent exactly any particular investment, as you cannot invest directly in an index. Distributor: Royce Fund Services, LLC 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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