ROYCE FOCUS TRUST INC
Form N-CSRS
September 04, 2009

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: 811-05379

Name of Registrant: Royce Focus Trust, Inc.

Address of Registrant: 745 Fifth Avenue
New York, NY 10151

Name and address of agent for service: John E. Denneen, Esquire
745 Fifth Avenue
New York, NY 10151

Registrant's telephone number, including area code: (212) 508-4500
Date of fiscal year end: December 31
Date of reporting period: January 1, 2009 – June 30, 2009

Item 1. Reports to Shareholders.

Royce Value Trust

Royce Micro-Cap Trust

Royce Focus Trust

SEMIANNUAL REVIEW AND REPORT

TO STOCKHOLDERS

www.roycefunds.com

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 and traded on a stock exchange. 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 shelf offerings and 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, 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. The Funds’ quarterly distribution policies for their common stock were suspended in May, 2009.

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.

This page is not part of the 2009 Semiannual Report to Stockholders

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Semiannual Review

For more than 35 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.

Performance Table

NAV Average Annual Total Returns

Through June 30, 2009

	Royce Value Trust	Royce Micro-Cap Trust	Royce Focus Trust	Russell 2000
Second Quarter 2009*	29.22%	34.51%	26.91%	20.69%
Year-to-Date 2009*	11.79	18.66	17.62	2.64
One-Year	-31.17	-26.70	-34.12	-25.01
Three-Year	-11.38	-10.58	-6.77	-9.89
Five-Year	-1.73	-1.38	3.09	-1.71
10-Year	5.49	7.40	8.61	2.38
15-Year	8.49	9.31	n.a.	6.55
20-Year	9.06	n.a.	n.a.	7.27
Since Inception	9.28	9.05	8.93	
Inception Date	11/26/86	12/14/93	11/1/96**	

Important Performance and Risk Information

All performance information in this *Review and Report* reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. 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 sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at www.roycefunds.com. The Royce Funds invest primarily in securities of small-cap and/or micro-cap companies, which may involve considerably more risk than investments in securities of larger-cap companies.

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, 2009, 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 Royces investment intentions with respect to those securities reflect Roycess opinions as of June 30, 2009 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.

** Not annualized

** Date Royce & Associates, LLC assumed investment management responsibility for the Fund.

Letter to Our Stockholders

Simple Twist of Fate

It was one year ago that, taking a cue from a Bob Dylan song, we wrote that something significant was happening in the markets, but the nature and degree of the event had not yet become clear. The intervening 12 months have certainly clarified things, in about as painful and destructive a fashion as possible from an investment standpoint. Back in March 2008, the fall of Bear Stearns was initially hoped to be, with fingers crossed in one hand and the other knocking on wood, an isolated, anomalous event. It took a few months, but the ongoing implosion of the subprime mortgage market sent shock waves throughout the global financial system. A significant correction in housing prices probably would have created some thorny economic problems in and of itself, but as fate would have it, many of these ill-awarded mortgages were securitized, packaged, tranched and traded in a dizzying array of complicated arrangements that may never be completely understood. And once September rolled around, the once-slow pace of decline picked up so quickly that matters barely had time to escalate from bad to disastrous.

Lacking the fatalism that has characterized many observers forecasts for the economy and the stock market, we believe in the cyclicality of markets and the resourcefulness of our economy, both of which should be factors in the next year as we make our way by fits and starts to better days.

What do people do when they buy stocks? What are their motives and expectations? These may seem like odd, or at least very simple, questions, but we think that they are worth asking in pursuit of a larger, more important point. After all, myriad factors can lead a companys stock price to higher levelsincreased demand for the companys existing products and/or services, a rapidly expanding business, a higher public profile, an innovative new product, etc. But none of these events ensures that the share-price gains will last. To us, the critical question is, what kind of companies are most likely to experience a sustainable increase in their business value, and thus an increase in share price?

As long-term investors with a disciplined value approach, we are therefore less concerned with what may or may not make a stock price climb, particularly in the short run. Short-term gains for our portfolio holdings are always welcome, but our focus is on identifying

Letter to Our Stockholders

The subprime fallout hit the markets with its most devastating blows less than one year ago, though it seems much further away in time, perhaps because so much trouble arrived so quickly and perhaps because so many other significant eventsa deep recession, an ensuing credit crisis, a presidential election, the bankruptcy of two of the three major American automakers, two ongoing wars, and unrest and agitation in Iranwere occurring as the financial crisis was unfolding. **As of this writing, we have seen the small-cap stock market go from a stumble to a near-collapse to a short-term (and hopefully more lasting) recovery in the space of a little less than two years, with the most eventful action coming between September 2008 and the present.**

The pertinent questions are: How long can the nascent bull market last? Has the economy stabilized to the point that a sustainable recovery is just a matter of time? Will economic improvement arrive in time to prevent the recurrence of a stock market swoon? Will the federal governments stimulus package have a tangibly positive effect on growth? For each question, the answer, unfortunately, is not blowin in the wind, or anywhere else for that matter. One need only look at the intensity of the debates over economic green shoots and the question of whether they presage genuine resurgence or are simply anomalous occurrences in a still contracting economy. Our own take, about which we have more to say later in this letter, is guardedly optimistic. However, before moving on we wish to point out that our long-term perspective allows us some measure of distance from the heat of these debates. Lacking the fatalism that has characterized many observers forecasts for the economy and the stock market, we believe in the cyclicality of markets and the resourcefulness of our economy, both of which should be factors in the next year as we make our way by fits and starts to better days.

Modern Times

As for those days most recently passed, they were definitely better, as the market spent much of the period from March through June rallying from the worrisome depths it had tested in the fall and winter months. The better days began after the most recent market trough on March 9 and continued mostly unimpeded through the end of June, though there were notable sell-offs, particularly late in June and early in July. However, even the most fatalistic observer was likely cheered by the year-to-date results for the major equity indices: **The small-cap Russell 2000 was up 2.6% through June 30, 2009, while the large-cap S&P 500 gained 3.2%, the more tech-laden Nasdaq Composite shot up 16.4% and the global MSCI EAFE (Europe, Australasia and Far East) rose 8.0%.**

As the date of the recent market bottom indicates, the first half of 2009 offered the worst of the recent bear market and the sparkling hope of a new, more bullish era, all within a compact six months. During the first quarter, the Russell 2000 was down 15.0%, the S&P

companies capable of long-term success as both businesses and stocks. There are several methods that we use to try to determine this. The first critical step entails a close examination of a company's financial profile and

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500 fell 11.0%, the Nasdaq Composite slipped only 3.1% and the MSCI EAFE sagged 13.9%. It should be remembered that these results included the beginning of the recent rally, more than three weeks worth of mostly rising stock prices that closed out the quarter and saw each index posting positive double-digit returns from March 9 through March 31, 2009. **That the rally then took up almost the entire second quarter was thus a more than welcome development, especially as results for the four indices referenced above represented the largest respective quarterly advances since the second quarter of 2003.** Yet we are still a long way from celebration. For the periods ended June 30, 2009, one-year and three-year average annual returns for all four indices remained negative, and only the MSCI EAFE managed a positive performance for the five-year period.

Market leadership remains unclear. Consider the following: The Russell 2000 trailed the S&P 500 in the first quarter, outperformed in the second quarter, but remained behind its large-cap counterpart for the year-to-date period ended June 30, 2009. The small-cap index led its large-cap sibling for the one-year period through the end of June, trailed in the three-year period, and led in the five- and 10-year periods. Small-cap stocks also significantly outperformed large-caps for the decade-to-date period, with the Russell 2000 gaining 14.0% versus the S&P 500s decline of 25.9% from December 31, 1999 through June 30, 2009. **With dramatic and well-defined bear and bull periods over the last two years, none of us needs a reminder that market volatility has been very much the norm.** However, we think that another important example of its omnipresence can be seen in the near-regular rotation of small- and large-cap leadership over recent shorter-term calendar-based periods. In such an environment, the question of where market leadership will next reside remains an open one, as does the question of how long any such leadership period is likely to last.

In such a volatile environment, the question of where market leadership will next reside remains an open one, as does the question of how long any such leadership period is likely to last.

It Takes Growth to Laugh, It Takes Value to Cry

Within the small-cap universe, the current leadership issue is more than settled. Small-cap growth, as measured by the Russell 2000 Growth index, remained in the top spot over small-cap value, as measured by the Russell 2000 Value index. For the year-to-date period ended June 30, 2009, the Russell 2000 Growth index gained 11.4%, while the Russell 2000 Value index fell 5.2%. Both small-cap indices enjoyed robust results in the second quarter, but the Russell 2000 Value indexs 18.0% gain trailed its growth counterpart's 23.4% return, so the turn in the tide of stock prices did little to help the small-cap value index to narrow the performance gap. Small-cap growth first gained its advantage in 2009 by outperforming in the bearish first quarter, down 9.7% compared to a decline of 19.6% for small-cap value, which marked the third consecutive quarter in which small-cap growth fared better than small-cap value in a negative return period. (However, at the end

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history. We search for evidence of our definition of quality□a strong balance sheet, a history of solid earnings, the ability to generate positive cash flow and high returns on invested capital. While it□s true that a company possessing each of these qualities is hardly guaranteed positive stock performance (as returns for our Funds in 2008 made painfully clear), we think that businesses with these characteristics are most likely to be solid, if not strong, performers over long-term time horizons.

Another route is of particular significance to us, though it may at first seem counterintuitive: A company can achieve an attractive long-term record by losing less during economic or market downturns. Our years of research bear out that those attributes that we value so highly can help a firm to weather these storms□profitable companies with low debt and plentiful cash have historically been stalwarts in poor markets and/or economies (the recent bear market notwithstanding).

In other words, we are

seeking great companies, not just great stocks. At first, this may appear to be a distinction without a difference, but the difference is very real to us because we see ourselves as business buyers. We have always taken very seriously the simple truth that when one buys even one share of stock, one becomes a stakeholder in a business. This is why our approach generally requires developing a deep understanding of what a company does and how it operates. In addition

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Letter to Our Stockholders

of 2008, small-cap value held a slender lead over growth from the small-cap peak on July 13, 2007, the official start of the small-cap bear market.) **In a curious twist of fate, then, the small-cap growth index has solidified its leadership position in large part by defying its historical norm of trailing small-cap value in down markets.**

The Russell 2000 Growth index also beat its small-cap value counterpart for the one-, three- and five-year periods ended June 30, 2009. Over longer-term periods, small-cap value held sway, thanks to an earlier period of long-term leadership. The end of 2006 marked the end of an extended span of small-cap value outperformance. In each of the first seven years of the current decade, small-cap value underperformed small-cap growth only once, in 2003, and by a slight margin. **These years of often-decisive performance advantages helped the Russell 2000 Value index to outpace the small-cap growth index for the 10-, 15-, 20- and 25-year periods ended June 30, 2009.**

As longstanding believers in reversion to the mean, we thought it likely that this long period of outperformance for small-cap value was likely to be succeeded by a strong turn for small-cap growth when the small-cap market cycle that began in March 9, 2000 came to an end, which happened in July 2007. For the periods ended June 30, 2009, the Russell 2000 Growth index outpaced its value sibling from the small-cap peak on July 13, 2007 (-35.2% versus -42.5%) and from the small-cap market low on March 9, 2009 (+49.9% versus

+47.9%). We were not surprised to see small-cap growth hold an advantage throughout the recent bear market or thus far in the rally. As much as outperformance in both an up and a down market, even over a short-term period, is a convincing measure of leadership, the current volatile condition of the market makes small-cap growth s ongoing dominance an uncertain proposition at best.

Dont Think Twice, Its All Right

We were more than happy to see each of our closed-end funds bounce back with solid to very strong performances during the first six months of 2009, particularly after they endured the worst returns in their respective histories in 2008. The fact that all three portfolios turned in strong absolute performances, which is most meaningful to us, and also outperformed their respective benchmarks made 2009s first-half results that much sweeter. Even more pleasing was the fact that our closed-end funds year-to-date returns were a combination of strong relative performance in the downturn between January and the small-cap low on March 9, followed by equally strong results in the rally that lasted into early June, though second-quarter market price results may have been adversely affected by the suspension of each Funds quarterly distribution. Losing less in poor markets has often been a historical hallmark of our management, and we welcomed its return, even in a short-term time frame.

The rally benefitted stocks across all asset and style categories, though it gave the strongest boost to non-dividend paying companies, those without earnings and low-priced stocks. The latter group was especially compelling because companies whose share prices had hit single digits needed very little to score large percentage-point gains. We do a lot of work in the low-priced area in our three closed-end portfolios, though our search is for quality smaller companies that have fallen on hard times. During the recent rally, however, many other investors seemed to be more focused on momentum. For the portfolios taken as a whole, net gains could be found in several industry groups, even some of those in the beleaguered consumer and financial sectors. The most significant net gains for the three portfolios as a group, however, were in the Technology sector, with Financial Services in RVT, Industrial Products and Natural Resources in RMT, and Natural Resources, Industrial Products and Consumer Products in FUND also enjoying encouraging rebounds.

Things Have Changed

The significant question, of course, is what happens next? Late June and early July saw just enough selling for many observers to be convinced that the rally might have breathed its last, at least until more compelling evidence of a growing economy surfaces. Our own take is that the first phase of the bull market is probably complete. The rally that began in March was characterized by dynamic, double-digit returns, and stocks of all sizes in nearly all sectors and industries benefiting greatly. Around the middle of June, the market fell into a corrective period, almost as if it were catching its breath after the wild run-up of stock prices. This period could last for another few months or could be over by the time this *Semiannual Review and Report* is being read. **We would expect an overall modest decline in the range of 10%-15%, regardless of the time frame. We also expect**

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to our discussions with a company's management, we often speak to suppliers, customers and competitors in order to expand our knowledge of the company.

To be sure, we buy stocks to make money, but the means to that sought-after end are very specific. We are looking for the happy marriage of a strong financial profile with a wonderful business that we think we know well. This necessitates a commitment to a disciplined process, one that demands we know as much about these businesses as we possibly can. It involves making an investment in a business as if we were purchasing the entire company, as if we were owners, because, after all, that is what we become when we buy stocks.

Letter to Our Stockholders

the next phase in the current cycle to be different still bullish, but with returns that will not be as lofty. It seems to us we will see more historically typical performance patterns, frequent sector and industry rotation and greater discrimination on the part of investors for quality companies. We also feel confident that stocks of higher quality companies those with solid earnings, high returns on invested capital and/or that pay dividends should take the lead in the next bull phase.

Our reasoning is that enough investors should begin to focus on company quality now that the period of momentum-driven results appears to be behind us and a recovering economy in front of us, though no one knows how far ahead it lies. **Recent selling has been driven more by fundamentals than liquidity, which is a good sign for the stability of equities as a whole.** Without the sense of panic that was so prevalent in the last four months of 2008, investors would be free to think more about factors such as risk, long-term performance and sustainable growth. In such a setting, we think that quality stocks would do well across virtually all asset classes and in all industries where they can be found. So we may see, for example, small-cap leadership for a short time, then a period of large-cap outperformance, etc. However, quality is likely to be a lingering presence a constant in a solid bull market that should otherwise see regular rotations in leadership.

Beyond Here Lies...

The economy is the elephant in the room. The recent rally was fueled in large part by investors' expectations of an economic recovery that, perhaps needless to say, has thus far not materialized. We suspect that some investors may have confused economic stabilization with economic recovery, something that surely helped the prices of certain stocks to run ahead of what their fundamentals might suggest, which in part explains why the rally lost steam in June. From an equity investor s standpoint, economic recovery is necessary for the market s bullish moves to be sustained. Rancorous debate about where the economy is and where it is going will continue. There will be plenty of disappointment and cynicism, as well as an ample supply of naysayers braying along the road to economic recovery, which we think will proceed slowly, at times at a pace of two steps forward one step back, to the point that within a year a recovery should be well under way. We do not think that it will be as driven by consumer spending, but instead will be led by revived industrial activity, natural resources and perhaps even financial services. Consumer activity will still play an important role, but we expect consumer spending to account for far less of GDP than it did prior to the recession, which will be a positive development.

We look forward to the next several months and even more so to the next three to five years. Our own confidence about the economy and the equity markets is tempered by the fact that less bad does not equate to good. We suspect that the next round of concerns will center on the pace of improvement rather than the question of its existence, which seems to dominate economic discussions as of this writing. Yet the current mood, part of which we have just described and which seems to shift from optimism to pessimism and back again, often in the space of a single day, is infinitely preferable to the panic and capitulation that made last fall and winter so chilling. This is the kind of incremental, at times imperceptible, progress that we expect the economy to make. The market s moves, far easier to track, will be less subtle, but both should be moving, however slowly, to a far better place.

Quality is likely to be a lingering presence a constant in a solid bull market that should otherwise see regular rotations in leadership.

Sincerely,

Charles M. Royce *President*	W. Whitney George *Vice President*	Jack E. Fockler, Jr. *Vice President*

July 31, 2009

Small-Cap Market Cycle Performance

We believe strongly in the idea that a long-term investment perspective is crucial for determining the success of a particular investment approach. Flourishing in an up market is wonderful. Surviving a bear market by losing less (or not at all) is at least as good. However, the true test of a portfolio s mettle is performance over full market cycle periods, which include both up and down market periods. We believe that providing full market cycle results is more appropriate even than showing three- to five-year standardized returns because the latter periods may not include the up and down phases that constitute a full market cycle.

Since the Russell 2000 s inception on 12/31/78, value as measured by the Russell 2000 Value Index outperformed growth as measured by the Russell 2000 Growth Index in six of the small-cap index s eight full market cycles. The most recently concluded cycle, which ran from 3/9/00 through 7/13/07, was the longest in the index s history, and represented what we believe was a return to more historically typical performance in that value provided a significant advantage during its downturn (3/9/00 10/9/02) and for the full cycle. In contrast, the new market cycle that began on 7/13/07 has so far favored growth over value, an unsurprising development when one considers how thoroughly value dominated growth in the previous full cycle.

Peak-to-Peak

For the full cycle, value provided a sizeable margin over growth, which finished the period with a loss. Each of our closed-end funds held a sizeable performance advantage over the Russell 2000 on both an NAV (net asset value) and market price basis. On an NAV basis, Royce Focus Trust (+264.2%) was our best performer by a wide margin, followed by Royce Micro-Cap Trust (+175.9%) and Royce Value Trust (+161.3%).

Peak-to-Current

During the difficult, volatile period ended 6/30/09, both value and growth posted similarly negative returns. Events in the financial markets immediately preceding the end of 2008 s third quarter caused the Russell 2000 to decline significantly. After a brief rally at the end of 2008, the index continued its fall, dropping it to a cyclical low on 3/9/09. Since then the index recovered significantly, gaining 48.9% from 3/9/09 through 6/30/09.

Royce Focus Trust managed to slightly outperform the index during the decline, while all three of our closed-end funds outperformed during the short rally from 3/9/09 through 6/30/09.

ROYCE FUNDS NAV TOTAL RETURNS VS. RUSSELL 2000 INDEX: MARKET CYCLE RESULTS

	Peak-to-Peak 3/9/00-7/13/07	Peak-to-Trough 7/13/07-3/9/09	Trough-to-Current 3/9/09-6/30/09
Russell 2000	54.9%	-58.9%	48.9%
Russell 2000 Value	189.5	-61.1	47.9
Russell 2000 Growth	-14.8	-56.8	49.9

Royce Value Trust	161.3	-65.6	64.2
Royce Micro-Cap Trust	175.9	-66.3	73.3
Royce Focus Trust	264.2	-58.3	49.5

The thoughts concerning recent market movements and future prospects for smaller-company stocks are solely those of Royce & Associates and, of course, there can be no assurance with regard to future market movements. Smaller-company stocks may involve considerably more risk than larger-cap stocks. Past performance is no guarantee of future results. See page 2 for important performance information for all of the above funds.

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AVERAGE ANNUAL NAV TOTAL RETURNS
Through 6/30/09

Second Quarter 2009*	29.22%
Year-to-Date 2009*	11.79
One-Year	-31.17
Three-Year	-11.38
Five-Year	-1.73
10-Year	5.49
15-Year	8.49
20-Year	9.06
Since Inception (11/26/86)	9.28

* Not annualized

CALENDAR YEAR NAV TOTAL RETURNS

Year	RVT	Year	RVT
2008	-45.6%	1999	11.7%
2007	5.0	1998	3.3
2006	19.5	1997	27.5
2005	8.4	1996	15.5
2004	21.4	1995	21.6
2003	40.8	1994	0.1
2002	-15.6	1993	17.3
2001	15.2	1992	19.3
2000	16.6	1991	38.4

TOP 10 POSITIONS

% of Net Assets Applicable to Common Stockholders	
Ash Grove Cement Cl. B	1.4%
Ritchie Bros. Auctioneers	1.3
SEACOR Holdings	1.2
Simpson Manufacturing	1.0
AllianceBernstein Holding L.P.	1.0
Alleghany Corporation	1.0
SPSS	0.9
GAMCO Investors Cl. A	0.9
Forward Air	0.9
HEICO Corporation	0.9

PORTFOLIO SECTOR BREAKDOWN

% of Net Assets Applicable to Common Stockholders	
Technology	21.1%
Industrial Products	20.1
Industrial Services	16.8