

RSEMEX - Attractive Rating



Royce Fund: Royce Special Equity Multi-Cap Fund



Predictive Rating

Attractive

• Predictive Ratings enable smarter investing by assessing the key drivers of fund performance.



Portfolio Management

Attractive

• Stock-picking (Portfolio Management) and fund expenses (Total Annual Costs) drive investment performance.



Total Annual Costs

Neutral

Investment Recommendation

- We recommend investors buy RSEMEX.
- We expect the fund to outperform the market.
- RSEMEX's Portfolio Management rating justifies its high Total Annual Costs.

Fund Rankings

- 100th percentile of the 6000+ equity funds we cover.
- 1 out of 376 All Cap Growth funds.
- None of the 2 ETFs in the same category rank better.

Portfolio Management Rating Details

- RSEMEX receives our Attractive rating because it overweights Attractive-or-better-rated stocks.
- IWZ, RSEMEX's benchmark, receives our Neutral rating.
- Our fund analytics are based on aggregating our models and ratings for each fund's holdings.
- Our [top-ranked](#) stock ratings leverage key data from the financial footnotes for unrivaled research quality.

Portfolio Management Rating Breakdown

Business Strength

★★★★★	Quality of Earnings	Very Attractive
★★★★★	Return on Invested Capital (ROIC)	18.11%

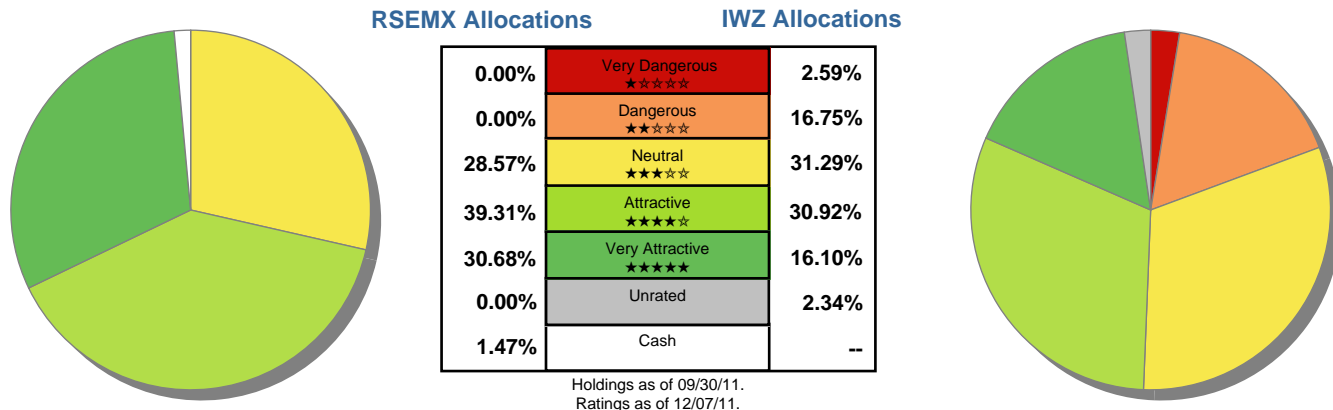
Valuation

★★★★☆	Free Cash Flow Yield	6.27%
★★★★☆	Price to Economic Book Value	1.16
★★★★☆	Market-Implied Duration of Growth	9 years

Fund Asset Allocation

★★★★☆	Cash Allocation	1.47% cash
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Allocation Details: Fund vs Benchmark - iShares Russell 3000 Growth Index Fund (IWZ)



Active Management Commentary

- RSEMEX allocates 0.00% of its value to Dangerous-or-worse-rated stocks while IWZ allocates 19.34%.
- RSEMEX allocates 69.99% of its value to Attractive-or-better-rated stocks while IWZ allocates 47.02%.
- Investors should expect funds with higher Total Annual Costs to allocate more value to Attractive and Very Attractive Stocks and less to Dangerous and Very Dangerous stocks than alternative funds with lower costs.
- Active portfolio management of RSEMEX adds value versus its ETF benchmark IWZ.

Return - Annual

Year to Date	
1 Year	
3 Year	
5 Year	
Inception	8.90%

Top 5 Holdings

Bed Bath & Beyond Inc
Cisco Systems Inc
Microsoft Corp
Analog Devices Inc
Raytheon Co

Key Mutual Fund Statistics

BBBY	Net Assets(mm)	Category	All Cap Growth
CSCO	NAV	Mgmt Co	Royce & Associates LLC
MSFT	Benchmark	Manager	Charles R. Dreifus
ADI	# of Holdings	Tenure	2011
RTN	Initial Minimum	Inception	01/03/11

Total Annual Costs Rating and Ranking

Rating	Total Annual Costs	Fund Universe % Rank	Category Rank
★★★☆☆	1.55%	65.56%	138 of 376

This rating reflects all expenses, loads, fees, and transaction costs in a single value that is comparable across all funds.

Total Annual Costs Breakdown

All Cost Types	Annualized Values	
	RSEMEX	Benchmark: IWZ
Front-End Load	0.00%	--
Expense Ratio	1.55%	0.28%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--
Transaction Costs	0.00%	--
Total Annual Costs	1.55%	0.28%

- To justify its higher Total Annual Costs, RSEMEX must outperform its ETF benchmark by 1.27% annually over 3 years or 1.27% annually over 10 years.
- This analysis assumes a 3-year holding period, the average for all funds.
- Transaction costs are assumed to be zero because the portfolio turnover ratio is unknown.

Data from Lipper, a Thomson Reuters Company, and New Constructs, LLC.

Overview of Our Predictive Mutual Fund Rating System

New Constructs' [Predictive Fund Ratings](#) enable smarter investing by assessing the key drivers of future fund performance. We start by analyzing every fund holding based on New Constructs' stock ratings, which are regularly featured as among the [best by Barron's](#). Next, we measure and rank the all-in costs of investing in a fund.

Intuitively, there are two drivers of future fund performance.

- 1) New stock-picking ([Portfolio Management Rating](#)) and
- 2) Fund expenses ([Total Annual Costs Rating](#)) drive investment performance

The figure below details the criteria that drive our Predictive Rating system for funds. The two drivers of our predictive rating system are Portfolio Management and Total Annual Costs. The Portfolio Management Rating (details [here](#)) is the same as our Stock Rating (details [here](#)) except that we incorporate Asset Allocation (details [here](#)) in the Portfolio Management Rating. The Total Annual Costs Rating (details [here](#)) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all mutual fund investors.

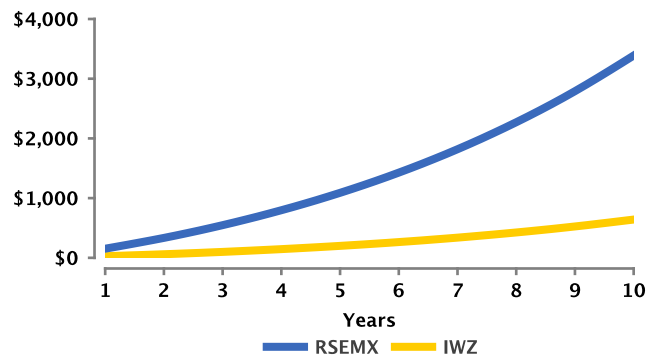
Predictive Rating	Portfolio Management Rating						Total Annual Costs Rating
	Business Strength		Valuation			Asset Allocation	
	Quality of Earnings	Return on Invested Capital	FCF Yield	Price to Econ Book Value	Mkt-Imp Duration of Growth	Cash %	
Very Dangerous ★☆☆☆☆	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50	> 20%	> 4%
Dangerous ★★☆☆☆	False Positive	4th Quintile	-5% < -1%	2.4 < 3.5 or < -1	20 < 50	8% < 20%	2% < 4%
Neutral ★★★☆☆	Neutral EE	3rd Quintile	-1% < 3%	1.6 < 2.4	10 < 20	2.5% < 8%	1% < 2%
Attractive ★★★★☆	Positive EE	2nd Quintile	3% < 10%	1.1 < 1.6	3 < 10	1% < 2.5%	0.5% < 1%
Very Attractive ★★★★★	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3	< 1%	< 0.5%

Reported Costs vs Benchmark: as of 05/01/11

	RSEMEX	Benchmark: IWZ
Front-End Load	0.00%	--
Expense Ratio	1.39%	0.25%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--

Accumulated Total Costs vs Benchmark

Accumulated Total Costs represent the dollar value of costs investors incur during a 10-yr holding period. Assumes a \$10,000 investment and a 10% annual return for the fund and its benchmark.



- 3-year Accumulated Total Costs are \$547.35 for RSEMEX and \$99.58 for IWZ. 10-year Accumulated Total Costs are \$3,387.95 for RSEMEX and \$641.19 for IWZ.

New Constructs® - Profile

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting, advisory and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies.

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2. **More Accurate Research** - Our [patented Research Platform](#) for [reversing accounting distortions](#) and [discounted cash flow analysis](#) leverages better data to deliver smarter research.
3. **Time Savings** - We check the fine print in thousands of corporate filings so you don't have to. As reported by [Barron's](#), our expertise in analyzing SEC filings delivers [Hidden Gems and Red Flags](#) that drive long-term stock-picking success.
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Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

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