



GIFTSHARES ACCOUNT IN ROYCE SMALL-CAP FUND

(formerly Royce Pennsylvania Mutual Fund®)

A Commitment to Giving

What is a GiftShares Account?

An exercise in intelligent giving, a GiftShares Account in Royce Small-Cap Fund is a unique way to make a gift to a minor or adult child, grandchild or other special individual. The trust's innovative structure is designed for making long-term gifts that may be used to help fund a beneficiary's college or other post-secondary education without giving the beneficiary complete control over the assets at the age of majority. Gifts may also qualify for the federal annual gift tax exclusion. (Please consult a tax advisor before opening a GiftShares Account.)

As independent trustee, Alliance Trust Company will hold the shares of a GiftShares Account in trust until the termination date that the donor specifies.

The duration of the trust may be as long as the donor chooses, but must be at least 10 years from the time the GiftShares Account is opened or until the beneficiary reaches the age of majority, whichever is later.

A GiftShares trust is irrevocable; neither the donor nor the beneficiary may amend its terms in any way. When the trust terminates, the beneficiary will have the choice of transferring the shares from the trust account to an individual Royce Small-Cap Fund account or redeeming the shares.

What Account Options Are Available?

Withdrawal Option (Annual Exclusion)

A donor may use this option to make a gift that may qualify for the annual federal gift tax exclusion and/or as a means to pay for the beneficiary's college or other post-secondary education.

If the donor selects the higher education feature, shares may be redeemed to pay both institutional, as well as personal expenses with the approval of the beneficiary representative, who is designated by the donor.

The beneficiary, not the donor, will be taxed on all of the trust's income and capital gains and may request that the trustee redeem Fund shares necessary to pay any applicable taxes. The trustee sends an information statement to the beneficiary annually, which shows the amount of income and capital gains that must be reported on the beneficiary's tax returns for that year.

The trustee will distribute assets to the beneficiary at the termination of the trust, either directly, or by transferring the shares to an individual Royce Small-Cap Fund account at the request of the beneficiary.

Accumulation Option (Unified Credit)

A donor may use this option primarily to make a gift while restricting access to the gifted assets. This option does not allow the donor to use the federal annual gift tax exclusion, and there can be no distributions to fund educational expenses before the trust terminates.

The trustee is responsible for filing all federal and state income tax returns and may redeem Fund shares necessary to pay any applicable taxes; the trust will be taxed on all of its income and capital gains in excess of \$100 per year.

The trustee will distribute assets to the beneficiary at the termination of the trust, either directly, or by transferring the shares to an individual Royce Small-Cap Fund account at the request of the beneficiary.

To receive more information about The Royce Funds, call Investor Services at (800) 221-4268.

We'll send you a complete investment kit, including a prospectus that includes information on fees and expenses, as well as the Fund's investment goals and risks. Please read the prospectus carefully before investing or sending money. Distributor: Royce Fund Services, LLC.

TheRoyceFunds

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