

ROYCE FOCUS TRUST INC

Form N-Q

November 20, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-05379

Name of Fund: Royce Focus Trust, Inc.

Fund Address: 745 Fifth Avenue  
New York, NY 10151

Name and address of agent for service:

John E. Denneen, Esq.  
Royce & Associates, LLC  
745 Fifth Avenue  
New York, NY 10151

Registrant's telephone number, including area code: (212) 508-4500

Date of fiscal year end: 12/31/2009

Date of reporting period: 9/30/2009

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## Item 1 - Schedule of Investments

SCHEDULE OF INVESTMENTS  
ROYCE FOCUS TRUST  
SEPTEMBER 30, 2009 (UNAUDITED)

|                                                       | SHARES  | VALUE                  |
|-------------------------------------------------------|---------|------------------------|
| <b>COMMON STOCKS</b> □ <b>94.6%</b>                   |         |                        |
| <b>Consumer Products</b> □ <b>9.6%</b>                |         |                        |
| Apparel, Shoes and Accessories - 2.3%                 |         |                        |
| Coach                                                 | 50,000  | \$ 1,646,000           |
| Timberland Company (The) Cl. A <sup>a</sup>           | 100,000 | 1,392,000              |
|                                                       |         | <hr/> 3,038,000 <hr/>  |
| Food/Beverage/Tobacco - 3.9%                          |         |                        |
| Industrias Bachoco ADR                                | 100,000 | 2,100,000              |
| Sanderson Farms                                       | 80,000  | 3,011,200              |
|                                                       |         | <hr/> 5,111,200 <hr/>  |
| Health, Beauty and Nutrition - 1.7%                   |         |                        |
| Nu Skin Enterprises Cl. A                             | 120,000 | 2,223,600              |
|                                                       |         | <hr/>                  |
| Sports and Recreation - 1.7%                          |         |                        |
| Thor Industries                                       | 75,000  | 2,321,250              |
|                                                       |         | <hr/>                  |
| <b>Total</b>                                          |         | <hr/> 12,694,050 <hr/> |
| <b>Consumer Services</b> □ <b>4.5%</b>                |         |                        |
| Retail Stores - 4.5%                                  |         |                        |
| Buckle (The) <sup>b</sup>                             | 120,000 | 4,096,800              |
| Men's Wearhouse (The)                                 | 75,000  | 1,852,500              |
|                                                       |         | <hr/> 5,949,300 <hr/>  |
| <b>Total</b>                                          |         | <hr/> 5,949,300 <hr/>  |
| <b>Diversified Investment Companies</b> □ <b>1.3%</b> |         |                        |
| Exchange Traded Funds - 1.3%                          |         |                        |
| UltraShort 20+ Year Treasury ProShares <sup>a</sup>   | 40,000  | 1,760,400              |
|                                                       |         | <hr/> 1,760,400 <hr/>  |
| <b>Total</b>                                          |         | <hr/> 1,760,400 <hr/>  |
| <b>Financial Intermediaries</b> □ <b>3.7%</b>         |         |                        |
| Securities Brokers - 3.0%                             |         |                        |
| Knight Capital Group Cl. A <sup>a</sup>               | 180,000 | 3,915,000              |
|                                                       |         | <hr/>                  |
| Other Financial Intermediaries - 0.7%                 |         |                        |
| KKR Financial Holdings <sup>a</sup>                   | 200,000 | 924,000                |
|                                                       |         | <hr/> 4,839,000 <hr/>  |
| <b>Total</b>                                          |         | <hr/> 4,839,000 <hr/>  |

**Financial Services □ 7.3%**

## Investment Management - 7.3%

|                             |         |           |
|-----------------------------|---------|-----------|
| Endeavour Financial         | 600,000 | 935,880   |
| Franklin Resources          | 30,000  | 3,018,000 |
| Partners Group Holding      | 15,000  | 1,829,586 |
| Sprott                      | 550,000 | 2,049,690 |
| U.S. Global Investors Cl. A | 147,849 | 1,822,978 |

**Total**

9,656,134

**Health □ 2.9%**

## Drugs and Biotech - 2.2%

|                                            |         |           |
|--------------------------------------------|---------|-----------|
| Endo Pharmaceuticals Holdings <sup>a</sup> | 80,000  | 1,810,400 |
| Lexicon Pharmaceuticals <sup>a</sup>       | 500,000 | 1,065,000 |

2,875,400

## Medical Products and Devices - 0.7%

|                                    |         |         |
|------------------------------------|---------|---------|
| Caliper Life Sciences <sup>a</sup> | 352,300 | 993,486 |
|------------------------------------|---------|---------|

**Total**

3,868,886

**Industrial Products □ 24.1%**

## Building Systems and Components - 2.7%

|                               |        |           |
|-------------------------------|--------|-----------|
| Simpson Manufacturing         | 70,000 | 1,768,200 |
| WaterFurnace Renewable Energy | 70,000 | 1,766,591 |

3,534,791

## Industrial Components - 2.2%

|                                     |         |           |
|-------------------------------------|---------|-----------|
| GrafTech International <sup>a</sup> | 200,000 | 2,940,000 |
|-------------------------------------|---------|-----------|

## Machinery - 2.9%

|                           |        |           |
|---------------------------|--------|-----------|
| Lincoln Electric Holdings | 50,000 | 2,372,500 |
| Woodward Governor         | 60,000 | 1,455,600 |

3,828,100

## Metal Fabrication and Distribution - 9.6%

|                                  |         |           |
|----------------------------------|---------|-----------|
| Kennametal                       | 80,000  | 1,968,800 |
| Nucor Corporation                | 60,000  | 2,820,600 |
| Reliance Steel & Aluminum        | 90,000  | 3,830,400 |
| Schnitzer Steel Industries Cl. A | 40,000  | 2,130,000 |
| Sims Metal Management ADR        | 100,000 | 1,993,000 |

12,742,800

## Miscellaneous Manufacturing - 1.3%

|          |        |           |
|----------|--------|-----------|
| Rational | 12,000 | 1,680,334 |
|----------|--------|-----------|

## Pumps, Valves and Bearings - 3.2%

|                             |        |           |
|-----------------------------|--------|-----------|
| Gardner Denver <sup>a</sup> | 50,000 | 1,744,000 |
| Pfeiffer Vacuum Technology  | 30,000 | 2,462,816 |

4,206,816

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Specialty Chemicals and Materials - 2.2%

|                      |        |                   |
|----------------------|--------|-------------------|
| Mosaic Company (The) | 60,000 | 2,884,200         |
| <b>Total</b>         |        | <b>31,817,041</b> |

**Industrial Services** □ 4.9%

Commercial Services - 1.4%

|                                       |         |           |
|---------------------------------------|---------|-----------|
| Korn/Ferry International <sup>a</sup> | 120,000 | 1,750,800 |
|---------------------------------------|---------|-----------|

Food, Tobacco and Agriculture - 3.5%

|                              |        |                  |
|------------------------------|--------|------------------|
| CF Industries Holdings       | 20,000 | 1,724,600        |
| Intrepid Potash <sup>a</sup> | 50,000 | 1,179,500        |
| Terra Industries             | 50,000 | 1,733,500        |
| <b>Total</b>                 |        | <b>4,637,600</b> |
| <b>Total</b>                 |        | <b>6,388,400</b> |

**Natural Resources** □ 27.9%

Energy Services - 10.9%

|                                    |         |                   |
|------------------------------------|---------|-------------------|
| Ensign Energy Services             | 150,000 | 2,275,254         |
| Major Drilling Group International | 70,000  | 1,422,033         |
| Pason Systems                      | 180,000 | 2,093,121         |
| Tesco Corporation <sup>a</sup>     | 160,000 | 1,276,800         |
| Trican Well Service                | 280,000 | 3,635,175         |
| Unit Corporation <sup>a</sup>      | 90,300  | 3,724,875         |
|                                    |         | <b>14,427,258</b> |

Oil and Gas - 1.6%

|             |        |           |
|-------------|--------|-----------|
| Exxon Mobil | 30,000 | 2,058,300 |
|-------------|--------|-----------|

Precious Metals and Mining - 13.3%

|                                        |         |                   |
|----------------------------------------|---------|-------------------|
| Alamos Gold <sup>a</sup>               | 150,000 | 1,319,759         |
| Allied Nevada Gold <sup>a,b</sup>      | 250,000 | 2,447,500         |
| Fresnillo                              | 150,000 | 1,850,659         |
| Gammon Gold <sup>a</sup>               | 184,500 | 1,570,095         |
| Ivanhoe Mines <sup>a</sup>             | 250,000 | 3,197,500         |
| Pan American Silver <sup>a</sup>       | 80,000  | 1,824,000         |
| Seabridge Gold <sup>a</sup>            | 75,000  | 2,145,000         |
| Silver Standard Resources <sup>a</sup> | 150,000 | 3,204,000         |
|                                        |         | <b>17,558,513</b> |

Real Estate - 0.8%

|                            |        |           |
|----------------------------|--------|-----------|
| PICO Holdings <sup>a</sup> | 30,000 | 1,000,500 |
|----------------------------|--------|-----------|

Other Natural Resources - 1.3%

|                           |           |           |
|---------------------------|-----------|-----------|
| Magma Energy <sup>a</sup> | 1,000,000 | 1,783,963 |
|---------------------------|-----------|-----------|

**Total**

**36,828,534**

**Technology** □ 7.7%

Aerospace and Defense - 1.0%

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|                                                                                                                                                                                                                                                      |         |                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------|
| Ceradyne <sup>a</sup>                                                                                                                                                                                                                                | 70,000  | 1,283,100             |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>Semiconductors and Equipment - 2.8%</b>                                                                                                                                                                                                           |         |                       |
| MKS Instruments <sup>a</sup>                                                                                                                                                                                                                         | 120,000 | 2,314,800             |
| Sigma Designs <sup>a</sup>                                                                                                                                                                                                                           | 100,325 | 1,457,722             |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
|                                                                                                                                                                                                                                                      |         | 3,772,522             |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>Software - 2.0%</b>                                                                                                                                                                                                                               |         |                       |
| Microsoft Corporation                                                                                                                                                                                                                                | 100,000 | 2,589,000             |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>Telecommunications - 1.9%</b>                                                                                                                                                                                                                     |         |                       |
| ADTRAN                                                                                                                                                                                                                                               | 100,000 | 2,455,000             |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>Total</b>                                                                                                                                                                                                                                         |         | 10,099,622            |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>Miscellaneous <sup>c</sup> □ 0.7%</b>                                                                                                                                                                                                             |         |                       |
| <b>Total</b>                                                                                                                                                                                                                                         |         | 930,276               |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>TOTAL COMMON STOCKS</b><br>(Cost \$107,404,518)                                                                                                                                                                                                   |         | 124,831,643           |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>PREFERRED STOCK □ 6.0%</b>                                                                                                                                                                                                                        |         |                       |
| Kennedy-Wilson Conv. <sup>d,e</sup><br>(Cost \$9,000,000)                                                                                                                                                                                            | 9,000   | 7,949,997             |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>REPURCHASE AGREEMENT □ 17.2%</b>                                                                                                                                                                                                                  |         |                       |
| State Street Bank & Trust Company,<br>0.01% dated 9/30/09, due 10/1/09,<br>maturity value \$22,677,006 (collateralized<br>by obligations of various U.S. Government<br>Agencies, 3.625% due 10/18/13, valued at \$23,245,313)<br>(Cost \$22,677,000) |         | 22,677,000            |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>COLLATERAL RECEIVED FOR SECURITIES LOANED □ 0.6%</b>                                                                                                                                                                                              |         |                       |
| Money Market Funds<br>Federated Government Obligations Fund<br>(7 day yield-0.1287%)<br>(Cost \$759,739)                                                                                                                                             |         | 759,739               |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>TOTAL INVESTMENTS □ 118.4%</b><br>(Cost \$139,841,257)                                                                                                                                                                                            |         | 156,218,379           |
| <b>CASH AND OTHER ASSETS LESS LIABILITIES □ 0.5%</b>                                                                                                                                                                                                 |         | 745,043               |
| <b>PREFERRED STOCK □ (18.9)%</b>                                                                                                                                                                                                                     |         | (25,000,000)          |
| <hr/>                                                                                                                                                                                                                                                |         |                       |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS □ 100.0%</b>                                                                                                                                                                                         |         | <b>\$ 131,963,422</b> |
| <hr/>                                                                                                                                                                                                                                                |         |                       |

<sup>a</sup> Non-income producing.

<sup>b</sup>

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All or a portion of these securities were on loan at September 30, 2009. Total market value of loaned securities at September 30, 2009 was \$745,382.

- c Includes securities first acquired in 2009 and less than 1% of net assets applicable to Common Stockholders.
- d A security for which market quotations are not readily available represents 6.0% of net assets. This security has been valued at its fair value under procedures established by the Fund's Board of Directors.
- e This security, and the common stock into which the security is convertible, are not and will not be registered under the Securities Act of 1933 and related rules ("restricted security"). Accordingly, such securities may not be offered, sold, transferred or delivered, directly or indirectly, unless (i) such shares are registered under the Securities Act and any other applicable state securities laws, or (ii) an exemption from registration under the Securities Act and any other applicable state securities laws is available.

**TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$139,841,257. At September 30, 2009, net unrealized appreciation for all securities was \$16,377,122, consisting of aggregate gross unrealized appreciation of \$30,108,075 and aggregate gross unrealized depreciation of \$13,730,953.

**Valuation of Investments:**

Investment transactions are accounted for on the trade date. Securities are valued as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange, and securities traded on Nasdaq's Electronic Bulletin Board, are valued at their last reported sales price or Nasdaq official closing price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their highest bid price, except in the case of some bonds and other fixed income securities which may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services. The Fund values its non-U.S. dollar denominated securities in U.S. dollars daily at the prevailing foreign currency exchange rates as quoted by a major bank. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. In addition, if, between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and may make the closing price unreliable, the Fund may fair value the security. The Fund uses an independent pricing service to provide fair value estimates for relevant non-U.S. equity securities on days when the U.S. market volatility exceeds a certain threshold. This pricing service uses proprietary correlations it has developed between the movement of prices of non-U.S. equity securities and indices of U.S.-traded securities, futures contracts and other indications to estimate the fair value of relevant non-U.S. securities. When fair value pricing is employed, the prices of securities used by the Fund may differ from quoted or published prices for the same security. Investments in money market funds are valued at net asset value per share.

Various inputs are used in determining the value of the Fund's investments, as noted above. These inputs are summarized in the three broad levels below:

Level 1 - quoted prices in active markets for identical securities

Level 2 - other significant observable inputs (including quoted prices for similar securities, foreign securities that may be fair valued and repurchase agreements)

Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of September 30, 2009:

|             | Level 1      | Level 2      | Level 3     | Total         |
|-------------|--------------|--------------|-------------|---------------|
| Equities    | \$98,796,507 | \$26,035,136 | \$7,949,997 | \$132,781,640 |
| Cash        |              |              |             |               |
| Equivalents |              | 23,436,739   |             | 23,436,739    |

Level 3 Reconciliation:

|          | Balance as of 12/31/08 | Change in unrealized appreciation (depreciation) | Balance as of 9/30/09 |
|----------|------------------------|--------------------------------------------------|-----------------------|
| Equities | \$7,285,707            | \$664,290                                        | \$7,949,997           |

**Repurchase Agreements:**

The Fund may enter into repurchase agreements with institutions that the Fund's investment adviser has determined are creditworthy. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of the counter-party, including possible delays or restrictions upon the ability of the Fund to dispose of its underlying securities.

**Securities Lending:**

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral on all securities loaned for the Fund is accepted in cash and cash equivalents and invested temporarily by the custodian. The collateral maintained is at least 100% of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. The Fund retains the risk of any loss on the securities on loan as well as incurring the potential loss on investments purchased with cash collateral received for securities lending.

**Restricted Securities:**

Certain of the Fund's investments are restricted as to resale and are valued at their fair value under procedures established by the Fund's Board of Directors. The Fund does not consider a security to be "restricted" if it may be sold by the Fund without restriction in the market in which it is primarily traded.

| Security             | Number of Shares | Acquisition |             | Fair Value at | Percent of Net | Distributions |
|----------------------|------------------|-------------|-------------|---------------|----------------|---------------|
|                      |                  | Date        | Cost        | 9/30/09       | Assets         | Received      |
| Kennedy-Wilson Conv. | 9,000            | 5/08        | \$9,000,000 | \$7,949,997   | 6.0%           | \$472,500     |

Other information regarding the Fund is available in the Fund's most recent Report to Stockholders. This information is available through The Royce Funds ([www.roycefunds.com](http://www.roycefunds.com)) and on the Securities and Exchange Commission's website ([www.sec.gov](http://www.sec.gov)).

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### Item 2 - Controls and Procedures

(a) The Registrant's principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report (as required by Rule 30a-3(b) under the Investment Company Act of 1940 (the "Act")), that the Registrant's disclosure controls and procedures (as defined by Rule 30a-3(c) under the Act) are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-Q is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-Q is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act) during the Registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

### Item 3 - Exhibits

Certifications pursuant to Rule 30a-2(a) under the Act are attached hereto.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Royce Focus Trust, Inc.  
By:

/s/ Charles M. Royce  
Charles M. Royce  
President, Royce Focus Trust, Inc.  
Date: November 17, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By:

/s/ Charles M. Royce  
Charles M. Royce  
President, Royce Focus Trust, Inc.  
Date: November 17, 2009

By:

/s/ John D. Diederich  
John D. Diederich  
Treasurer, Royce Focus Trust, Inc.  
Date: November 17, 2009