FRANKLIN TEMPLETON | ROYCE Investment Partners

Royce Small-Cap Fund

Investment Class: PENNX **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** After a sharp rally in August, the market experienced a modest setback in September, triggered by a number of factors, including concerns over sticky inflation and rising interest rates, ongoing hostilities in the Middle East, and hawkish comments by the U.S. Federal Reserve that triggered expectations for additional rate hikes following its September increase.
- **Contributors:** Communication Services and Energy were the sectors that contributed positively to third-quarter performance.
- **Detractors:** Industrials, Information Technology, and Consumer Discretionary were the top detractors.
- **Outlook:** The portfolio managers continue to enjoy the sweet spot between holdings that are doing well while still finding what they think are excellent long-term opportunities in the wide and diverse universe of small- and micro-cap stocks. Many companies that fit the Fund's multi-discipline investment criteria are trading at what the team thinks are attractive multiples.

Performance Review

- Royce Small-Cap Fund declined 8.0% for the quarter, lagging its benchmark, Russell 2000 Index, which was down 7.2% for the same period. The portfolio was ahead of the Russell 2000 Index for the year-to-date period ended 9/30/26, up 13.9% versus 13.7%. The portfolio outperformed its benchmark for the 5-, and 10- periods ended 9/30/26.
- Eight of the portfolio's 10 sectors made a negative impact on quarterly performance. The sectors making the largest detractions came from Industrials, Information Technology and Consumer Discretionary while the only positive impacts came from Communication Services and Energy.
- At the industry level, machinery (Industrials), semiconductors & semiconductor equipment (Information Technology), and electronic equipment, instruments & components (Information Technology) detracted most for the quarter, while professional services (Industrials), life sciences tools & services (Health Care), and capital markets (Financials) were the largest contributors.
- The portfolio's disadvantage versus its benchmark was primarily attributable to sector allocation in the quarter, with the Health Care, Energy and Consumer Discretionary sectors making the most significant negative impact versus the benchmark. Conversely, Financials, Communication Services and Real Estate contributed most to relative quarter results.
- Six of the portfolio's 10 sectors made a positive impact on year-to-date period performance. The sectors making the largest positive contributions were Information Technology, Industrials and Financials while the largest negative impacts came from Health Care, Consumer Discretionary and Real Estate.
- At the industry level, semiconductors & semiconductor equipment (Information Technology), electronic equipment, instruments & components (Information Technology), and construction & engineering (Industrials) contributed most for the year-to-date period, while health care equipment & supplies (Health Care), pharmaceuticals (Health Care), and food products (Consumer Staples) were the largest detractors.
- The portfolio's advantage over its benchmark was primarily attributable to stock selection in the year-to-date period, with the Information Technology, Materials and Utilities sectors making the most significant positive impact versus the benchmark. Conversely, Health Care, Energy and Consumer Discretionary detracted most from relative year-to-date period results.

Outlook

- We continue to enjoy the sweet spot between holdings that are doing well while still finding what we think are excellent long-term opportunities in the wide and diverse universe of small- and micro-cap stocks. Many companies that fit our different investment criteria are trading at what we think are attractive multiples. Most are discrete opportunities, but we are finding them in nearly every sector and industry. We also think it's important to remember that, for all the talk about the 40% of money-losing companies in the Russell 2000, there are currently 1,130 companies with earnings in the Russell 2000 versus only 900 in the Russell 1000.
- Finally, we think that periods like the present reinforce the value of active management. Small-cap stocks currently sit between two crowded institutional allocations: Mega-cap stocks and illiquid private markets, which are both at valuation extremes. So we believe small-caps really can solve a lot of problems in equity allocations. The asset class's enticing combination of relatively more attractive valuations and ongoing earnings strength solidifies our conviction that the current environment offers compelling opportunities for active, fundamentals-driven investors with a long-term horizon. **Past performance is not an indicator or a guarantee of future performance.**

Morningstar Rating™

Overall Rating as of September 30, 2026

★★★★ **(4-Star)** Investment Class

As of 09/30/2026 the fund's Investment Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 582, 559 and 456 Small Blend funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Top Holdings (% of Total)

Holding	Fund
Arcosa	2.05
Element Solutions	1.62
SEI Investments	1.46
Quaker Houghton	1.35
Onto Innovation	1.25
Assured Guaranty	1.14
Enpro	1.11
IMAX Corporation	1.09
Digi International	1.02
Dorman Products	0.92

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Investment Class	780905840	PENNX	-8.04	13.85	16.08	14.45	8.34	11.04	—	-8.04	13.85	16.08	14.45	8.34	11.04	—	0.95	0.95	—	—	10/31/1972
Benchmark	—	—	-7.23	13.71	16.20	17.72	6.34	9.84	—	-7.23	13.71	16.20	17.72	6.34	9.84	—	—	—	—	—	—

Benchmark(s)

Benchmark =Russell 2000 Index

Performance data quoted represents past performance, which does not guarantee future results. *Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.*
The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

The Fund invests primarily in **small-cap stocks**, which may involve considerably more risk than investing in larger-cap stocks. The Fund's broadly **diversified portfolio** does not ensure a profit or guarantee against loss. The Fund may invest up to 25% of its net assets in **foreign securities** that may involve political, economic, currency, and other risks not encountered in U.S. investments. These and other risks are discussed in the fund's prospectus.

Glossary

The **Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. Source: FTSE.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe.

Source: FTSE.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Morningstar Rating™: Source: Morningstar®, 09/30/2026. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Investment Class shares received a Morningstar Rating of 3, 4 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Investment Class shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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Reports and other information about the funds are available on the EDGAR Database on the SEC's Internet site at www.sec.gov.

Royce & Associates, LP primarily conducts its business under the name Royce Investment Partners.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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