

PROSPECTUS

Investment and Service Class Shares

May 1, 2013

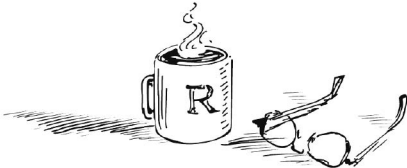
Fund	Investment	Service
Royce Capital Fund—Micro-Cap Portfolio	RCMCX	RCMSX
Royce Capital Fund—Small-Cap Portfolio	RCPFX	RCSSX

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved of these securities, or determined that the information in this prospectus is accurate or complete. It is a crime to represent otherwise.

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The Investment and Service Classes of Royce Capital Fund offer their shares to life insurance companies that allocate the shares to separate accounts that they establish for the purpose of funding variable annuity contracts and variable life insurance contracts. A Fund may not be available in connection with a particular variable contract.



Royce Micro-Cap Portfolio

Investment Goal

Royce Micro-Cap Portfolio's investment goal is long-term growth of capital.

Fees and Expenses of the Fund

The following table presents the fees and expenses that you may pay if you buy and hold shares of the Fund. The table does not include variable contract charges. Because variable contract charges are not included, the total fees and expenses that you will incur will be higher than the fees and expenses set forth in the table. See your variable contract prospectus for more information about these charges.

SHAREHOLDER FEES (fees paid directly from your investment)

	Investment Class	Service Class
Maximum sales charge (load) imposed on purchases	0.00%	0.00%
Maximum deferred sales charge	0.00%	0.00%
Maximum sales charge (load) imposed on reinvested dividends	0.00%	0.00%

ANNUAL FUND OPERATING EXPENSES (expenses that you pay each year as a percentage of the value of your investment)

Management fees	1.25%	1.25%
Distribution (12b-1) fees	0.00%	0.25%
Other expenses	0.08%	0.09%
Acquired fund fees and expenses	0.02%	0.02%
Total annual Fund operating expenses	1.35%	1.61%
Fee waivers and/or expense reimbursements	0.00%	(0.01)%
Total annual Fund operating expenses after fee waivers and/or expense reimbursements	1.35%	1.60%

Royce has contractually agreed, without right of termination, to waive fees and/or reimburse expenses to the extent necessary to maintain the Service Class's net annual operating expenses, other than acquired fund fees and expenses, at or below 1.58% through April 30, 2014.

Total annual Fund operating expenses may differ from the expense ratio in the Fund's Financial Highlights because the highlights include only the Fund's direct operating expenses and do not include acquired fund fees and expenses, which reflect the estimated amount of the fees and expenses incurred indirectly by the Fund through its investments in mutual funds, hedge funds, private equity funds and other investment companies.

EXAMPLE

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's total operating expenses (net of fee waivers and/or expense reimbursements for the Service Class in year one) remain the same. Although your actual costs may be higher or lower, based on the assumptions your costs would be:

	Investment Class	Service Class
1 Year	\$137	\$163
3 Years	\$428	\$507
5 Years	\$739	\$875
10 Years	\$1,624	\$1,910

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 21% of the average value of its portfolio.

Principal Investment Strategy

Royce & Associates, LLC (“Royce”), the Fund’s investment adviser, invests the Fund’s assets primarily in equity securities of micro-cap companies, a universe of more than 3,000 companies with market capitalizations up to \$750 million. Using its value approach, Royce generally focuses on micro-cap companies that it believes are trading significantly below its estimate of their current worth, basing this assessment chiefly on balance sheet quality and cash flow levels.

Normally, the Fund invests at least 80% of its net assets in the equity securities of micro-cap companies. Although the Fund normally focuses on the securities of U.S. companies, it may invest up to 35% of its net assets in foreign securities. While the Fund anticipates that its investment in foreign securities will generally be in securities of companies that are headquartered in “developed countries,” the Fund may also invest up to 10% of its net assets in the securities of companies that are headquartered in “developing countries.” Developing countries, sometimes also referred to as emerging markets countries, include every country in the world other than the United States, Canada, Japan, Australia, New Zealand, Hong Kong, Singapore, South Korea, Taiwan, Bermuda, and Western European countries (as defined in the Fund’s Statement of Additional Information).

In selecting securities for the Fund, Royce uses a bottom-up, value approach. Royce primarily focuses on company-specific criteria rather than on political, economic or other country-specific factors. The Fund may invest in other investment companies that invest in equity securities. The Fund may sell securities to, among other things, secure gains, limit losses, redeploy assets into what Royce deems to be more promising opportunities and/or manage cash levels in the Fund’s portfolio.

Primary Risks for Fund Investors

As with any mutual fund that invests in common stocks, Royce Micro-Cap Portfolio is subject to market risk—the possibility that common stock prices will decline over short or extended periods of time. As a result, the value of your investment in the Fund will fluctuate, sometimes sharply and unpredictably, and you could lose money over short or long periods of time.

The prices of micro-cap securities are generally more volatile and their market is less liquid relative to larger-cap securities. Therefore, the Fund may involve considerably more risk of loss and its returns may differ significantly from funds investing in larger-cap companies or other asset classes.

Investment in foreign securities involves risks that may not be encountered in U.S. investments, including adverse political, social, economic or other developments that are unique to a particular region or country. These risks may be heightened for developing

markets securities. Prices of foreign securities in particular countries or regions may, at times, move in a different direction and/or be more volatile than those of U.S. securities. Because the Fund does not intend to hedge its foreign currency exposure, the U.S. dollar value of the Fund’s investments may be harmed by declines in the value of foreign currencies in relation to the U.S. dollar.

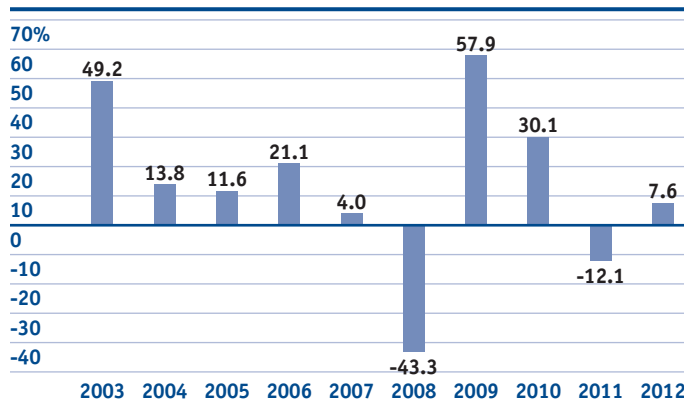
Royce’s estimate of a company’s current worth may prove to be inaccurate, or this estimate may not be recognized by other investors, which could lead to portfolio losses. To the extent the Fund overweights a single market sector or industry relative to its benchmark index, its performance may be tied more directly to the success or failure of a relatively smaller or less well-diversified group of portfolio holdings.

Investments in the Fund are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Performance

The following performance information provides an indication of the risks of investing in the Fund. Past performance does not indicate how the Fund will perform in the future. The Calendar Year Total Returns chart shows performance year by year over the last ten years (Investment Class used for illustrative purposes—returns differ by Class). The Annualized Total Returns table shows how the Fund’s average annual total returns for various periods compare with those of the Russell Microcap Index, the Fund’s benchmark, and the Russell 2000 Index. The Service Class commenced operations on May 2, 2006. Performance information prior to this date is for the Investment Class, which has substantially similar returns because all Classes invest in the same portfolio of securities, differing only to the extent that the Service Class has higher expenses than the Investment Class. If Service Class’s expenses had been reflected, returns prior to May 2, 2006 for that Class would have been lower.

CALENDAR YEAR TOTAL RETURNS in Percentages (%)
Investment Class



During the period shown in the bar chart, the highest return for a calendar quarter was 31.36% (quarter ended 6/30/09) and the lowest return for a calendar quarter was -29.64% (quarter ended 12/31/08).

Royce Capital Fund—Micro-Cap Portfolio (concluded)

ANNUALIZED TOTAL RETURNS (12/31/12)

	1 Year	5 Year	10 Year
Investment Class			
Return Before Taxes	7.60%	1.96%	10.15%
Service Class			
Return Before Taxes	7.45	1.77	10.01
Russell Microcap Index (Reflects no deductions for fees, expenses or taxes)	19.75	1.46	8.42
Russell 2000 Index (Reflects no deductions for fees, expenses or taxes)	16.35	3.56	9.72

The Fund's total returns do not reflect any deduction for charges or expenses of the variable contracts investing in the Fund. If these costs and expenses were reflected, the returns shown would be lower. Current month-end performance information may be obtained at www.roycefunds.com or by calling Investor Services at (800) 221-4268.

Investment Adviser and Portfolio Management

Royce serves as investment adviser to the Fund. Jenifer L. Taylor, Portfolio Manager of Royce, manages the Fund, assisted by W. Whitney George and Brendan J. Hartman. Ms. Taylor previously served as the Fund's assistant portfolio manager (2003-2009) and co-manager (2009-2010) and became primary portfolio manager in 2010. Mr. George, who previously managed the Fund (2002-2009) and co-managed the Fund (2009-2010), became assistant portfolio manager in 2010. Mr. Hartman became assistant portfolio manager in 2013.

Additional Information

For information on how to purchase and sell shares, tax information, and information on financial intermediary compensation, please see page 8.

Royce Small-Cap Portfolio

Investment Goal

Royce Small-Cap Portfolio's investment goal is long-term growth of capital.

Fees and Expenses of the Fund

The following table presents the fees and expenses that you may pay if you buy and hold shares of the Fund. The table does not include variable contract charges. Because variable contract charges are not included, the total fees and expenses that you will incur will be higher than the fees and expenses set forth in the table. See your variable contract prospectus for more information about these charges.

SHAREHOLDER FEES (fees paid directly from your investment)

	Investment Class	Service Class
Maximum sales charge (load) imposed on purchases	0.00%	0.00%
Maximum deferred sales charge	0.00%	0.00%
Maximum sales charge (load) imposed on reinvested dividends	0.00%	0.00%

ANNUAL FUND OPERATING EXPENSES (expenses that you pay each year as a percentage of the value of your investment)

Management fees	1.00%	1.00%
Distribution (12b-1) fees	0.00%	0.25%
Other expenses	0.06%	0.06%
Total annual Fund operating expenses	1.06%	1.31%

EXAMPLE

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's total operating expenses remain the same. Although your actual costs may be higher or lower, based on the assumptions your costs would be:

	Investment Class	Service Class
1 Year	\$108	\$133
3 Years	\$337	\$415
5 Years	\$585	\$718
10 Years	\$1,294	\$1,579

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 62% of the average value of its portfolio.

Principal Investment Strategy

Royce & Associates, LLC (“Royce”), the Fund’s investment adviser, invests the Fund’s assets primarily in equity securities of small-cap companies, those with market capitalizations from \$750 million to \$2.5 billion. Using its value approach, Royce generally looks for companies that have excellent business strengths and/or prospects for growth, high internal rates of return and low leverage, and that are trading significantly below its estimate of their current worth.

Normally, the Fund invests at least 80% of its net assets in the equity securities of small-cap companies. Although the Fund normally focuses on the securities of U.S. companies, it may invest up to 25% of its net assets in securities of companies headquartered in foreign countries. The Fund may sell securities to, among other things, secure gains, limit losses, redeploy assets into what Royce deems to be more promising opportunities and/or manage cash levels in the Fund’s portfolio.

Primary Risks for Fund Investors

As with any mutual fund that invests in common stocks, Royce Small-Cap Portfolio is subject to market risk—the possibility that common stock prices will decline over short or extended periods of time. As a result, the value of your investment in the Fund will fluctuate, sometimes sharply and unpredictably, and you could lose money over short or long periods of time.

The prices of small-cap securities are generally more volatile and their markets are less liquid relative to larger-cap securities. Therefore, the Fund may involve more risk of loss and its returns may differ significantly from funds investing in larger-cap companies or other asset classes. In addition, as of December 31, 2012 the Fund held less than 80 portfolio securities. The Fund’s investment in a limited number of issuers and its potential industry and sector overweights may involve more risk to investors than a more broadly diversified portfolio of small-cap securities because it may be more susceptible to any single corporate, economic, political, regulatory or market event.

Investment in foreign securities involves risks that may not be encountered in U.S. investments, including adverse political, social, economic or other developments that are unique to a particular region or country. Prices of foreign securities in particular countries or regions may, at times, move in a different direction and/or be more volatile than those of U.S. securities. Because the Fund does not intend to hedge its foreign currency exposure, the U.S. dollar value of the Fund’s investments may be harmed by declines in the value of foreign currencies in relation to the U.S. dollar.

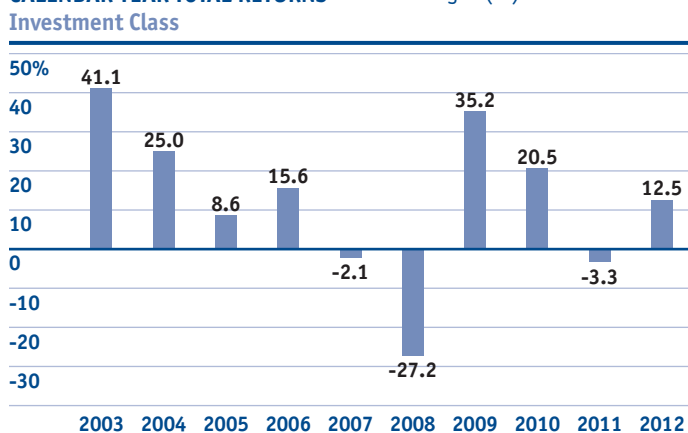
Royce’s estimate of a company’s current worth may prove to be inaccurate, or this estimate may not be recognized by other investors, which could lead to portfolio losses.

Investments in the Fund are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Performance

The following performance information provides an indication of the risks of investing in the Fund. Past performance does not indicate how the Fund will perform in the future. The Calendar Year Total Returns chart shows performance year by year over the last ten years (Investment Class used for illustrative purposes—returns differ by Class). The Annualized Total Returns table shows how the Fund’s average annual total returns for various periods compare with those of the Russell 2000 Index, the Fund’s benchmark index. The Service Class commenced operations on May 2, 2006. Performance information prior to this date is for the Investment Class, which has substantially similar returns because all Classes invest in the same portfolio of securities, differing only to the extent that the Service Class has higher expenses than the Investment Class. If Service Class’s expenses had been reflected, returns prior to May 2, 2006 for that Class would have been lower.

CALENDAR YEAR TOTAL RETURNS in Percentages (%)



During the period shown in the bar chart, the highest return for a calendar quarter was 22.60% (quarter ended 6/30/09) and the lowest return for a calendar quarter was -24.29% (quarter ended 12/31/08).

ANNUALIZED TOTAL RETURNS (12/31/12)

	1 Year	5 Year	10 Year
Investment Class			
Return Before Taxes	12.50%	5.24%	10.82%
Service Class			
Return Before Taxes	12.22	4.96	10.64
Russell 2000 Index (Reflects no deductions for fees, expenses or taxes)	16.35	3.56	9.72

Royce Capital Fund—Small-Cap Portfolio (concluded)

The Fund's total returns do not reflect any deduction for charges or expenses of the variable contracts investing in the Fund. If these costs and expenses were reflected, the returns shown would be lower. Current month-end performance information may be obtained at www.roycefunds.com or by calling Investor Services at (800) 221-4268.

Investment Adviser and Portfolio Management

Royce serves as investment adviser to the Fund. Jay S. Kaplan, Principal and Portfolio Manager of Royce, manages the Fund. Mr. Kaplan has managed the Fund since 2003.

Additional Information

For information on how to purchase and sell shares, tax information and information on financial intermediary compensation, please see page 8.

Additional Information

How to Purchase and Sell Fund Shares

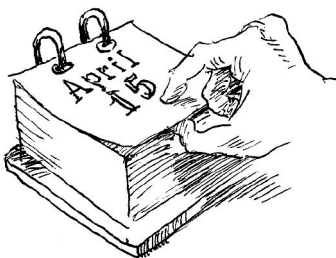
Shares of the Funds will be sold on a continuous basis to separate accounts of insurance companies. Investors may not purchase or redeem shares of the Funds directly, but only through the relevant variable contract. You should refer to the applicable variable contract prospectus for information on how to purchase or surrender a contract, make partial withdrawals of contract values, allocate contract values to one or more of the Funds, or change existing allocations among investment alternatives, including the Funds. No sales charge is imposed upon the purchase or redemption of shares of the Funds. Any sales charges for your variable contract will be described in the relevant variable contract prospectus.

Tax Information

For information regarding the federal income tax consequences of variable contract ownership, please consult your variable contract prospectus.

Financial Intermediary Compensation

If you purchase the Fund through an insurance company or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the insurance company or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.



Financial Highlights

This table is intended to help you understand each Fund Class's financial performance for the past five years. The table reflects financial results for a single share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all distributions). The Fund's total returns presented below do not reflect any deduction for charges or expenses of the variable contracts investing in the Fund. Because variable contract charges are not included, the actual return that you will receive will be lower than the total return in the table. This information has been audited by PricewaterhouseCoopers LLP, whose report, along with the Fund's financial statements, is included in the Fund's 2012 Annual Report to Shareholders, which is available at www.roycefunds.com or upon request.

ROYCE MICRO-CAP PORTFOLIO – INVESTMENT CLASS

Period Ended December 31,	2012	2011	2010	2009	2008
Net Asset Value, Beginning of Period	\$10.41	\$12.18	\$9.52	\$6.03	\$13.47
Investment Operations					
Net investment income (loss)	0.04	(0.03)	(0.01)	(0.01)	0.13
Net realized and unrealized gain (loss) on investments and foreign currency	0.74	(1.45)	2.87	3.50	(5.99)
Total from investment operations	0.78	(1.48)	2.86	3.49	(5.86)
Distributions					
Distributions from net investment income	-	(0.29)	(0.20)	-	(0.30)
Distributions from net realized gain on investments and foreign currency	(0.24)	-	-	-	(1.28)
Total distributions	(0.24)	(0.29)	(0.20)	-	(1.58)
Net Asset Value, End of Period	\$10.95	\$10.41	\$12.18	\$9.52	\$6.03
Total Return	7.60%	(12.10)%	30.10%	57.88%	(43.27)%
Net Assets, End of Period (in thousands)	\$543,516	\$569,498	\$676,654	\$522,092	\$328,059
Ratio of Expenses to Average Net Assets					
Prior to fee waivers and balance credits	1.33%	1.32%	1.32%	1.33%	1.32%
Prior to fee waivers	1.33%	1.32%	1.32%	1.33%	1.32%
Net of fee waivers	1.33%	1.32%	1.32%	1.33%	1.32%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.39%	(0.31)%	(0.09)%	(0.13)%	1.05%
Portfolio Turnover Rate	21%	35%	35%	33%	51%

ROYCE MICRO-CAP PORTFOLIO – SERVICE CLASS

Period Ended December 31,	2012	2011	2010	2009	2008
Net Asset Value, Beginning of Period	\$10.35	\$12.13	\$9.49	\$6.02	\$13.45
Investment Operations					
Net investment income (loss)	0.03	(0.11)	(0.08)	(0.03)	0.05
Net realized and unrealized gain (loss) on investments and foreign currency	0.73	(1.39)	2.91	3.50	(5.92)
Total from investment operations	0.76	(1.50)	2.83	3.47	(5.87)
Distributions					
Distributions from net investment income	-	(0.28)	(0.19)	-	(0.28)
Distributions from net realized gain on investments and foreign currency	(0.24)	-	-	-	(1.28)
Total distributions	(0.24)	(0.28)	(0.19)	-	(1.56)
Net Asset Value, End of Period	\$10.87	\$10.35	\$12.13	\$9.49	\$6.02
Total Return	7.45%	(12.26)%	29.90%	57.64%	(43.44)%
Net Assets, End of Period (in thousands)	\$36,764	\$26,096	\$17,022	\$6,907	\$3,725
Ratio of Expenses to Average Net Assets					
Prior to fee waivers and balance credits	1.59%	1.60%	1.63%	1.73%	1.92%
Prior to fee waivers	1.59%	1.60%	1.63%	1.73%	1.92%
Net of fee waivers	1.55%	1.49%	1.40%	1.58%	1.58%
Ratio of Net Investment Income (Loss) to Average Net Assets	0.27%	(0.46)%	(0.12)%	(0.36)%	0.70%
Portfolio Turnover Rate	21%	35%	35%	33%	51%

Financial Highlights

This table is intended to help you understand each Fund Class's financial performance for the past five years. The table reflects financial results for a single share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all distributions). The Fund's total returns presented below do not reflect any deduction for charges or expenses of the variable contracts investing in the Fund. Because variable contract charges are not included, the actual return that you will receive will be lower than the total return in the table. This information has been audited by PricewaterhouseCoopers LLP, whose report, along with the Fund's financial statements, is included in the Fund's 2012 Annual Report to Shareholders, which is available at www.roycefunds.com or upon request.

ROYCE SMALL-CAP PORTFOLIO – INVESTMENT CLASS

Period Ended December 31,	2012	2011	2010	2009	2008
Net Asset Value, Beginning of Period	\$10.07	\$10.45	\$8.68	\$6.42	\$9.96
Investment Operations					
Net investment income (loss)	0.15	0.01	0.04	0.01	0.00
Net realized and unrealized gain (loss) on investments and foreign currency	1.10	(0.35)	1.74	2.25	(2.72)
Total from investment operations	1.25	(0.34)	1.78	2.26	(2.72)
Distributions					
Distributions from net investment income	(0.01)	(0.04)	(0.01)	–	(0.06)
Distributions from net realized gain on investments and foreign currency	(0.28)	–	–	–	(0.76)
Total distributions	(0.29)	(0.04)	(0.01)	–	(0.82)
Net Asset Value, End of Period	\$11.03	\$10.07	\$10.45	\$8.68	\$6.42
Total Return	12.50%	(3.28)%	20.52%	35.20%	(27.18)%
Net Assets, End of Period (in thousands)	\$623,830	\$651,243	\$630,227	\$467,401	\$291,898
Ratio of Expenses to Average Net Assets					
Prior to fee waivers and balance credits	1.06%	1.05%	1.06%	1.07%	1.07%
Prior to fee waivers	1.06%	1.05%	1.06%	1.07%	1.07%
Net of fee waivers	1.06%	1.05%	1.06%	1.07%	1.07%
Ratio of Net Investment Income (Loss) to Average Net Assets	1.37%	0.11%	0.47%	0.20%	0.07%
Portfolio Turnover Rate	62%	36%	34%	46%	45%

ROYCE SMALL-CAP PORTFOLIO – SERVICE CLASS

Period Ended December 31,	2012	2011	2010	2009	2008
Net Asset Value, Beginning of Period	\$9.98	\$10.38	\$8.64	\$6.40	\$9.94
Investment Operations					
Net investment income (loss)	0.15	(0.01)	0.03	(0.00)	(0.02)
Net realized and unrealized gain (loss) on investments and foreign currency	1.06	(0.36)	1.72	2.24	(2.73)
Total from investment operations	1.21	(0.37)	1.75	2.24	(2.75)
Distributions					
Distributions from net investment income	(0.00)	(0.03)	(0.01)	–	(0.03)
Distributions from net realized gain on investments and foreign currency	(0.28)	–	–	–	(0.76)
Total distributions	(0.28)	(0.03)	(0.01)	–	(0.79)
Net Asset Value, End of Period	\$10.91	\$9.98	\$10.38	\$8.64	\$6.40
Total Return	12.22%	(3.55)%	20.26%	35.00%	(27.50)%
Net Assets, End of Period (in thousands)	\$148,613	\$79,565	\$41,505	\$5,160	\$1,438
Ratio of Expenses to Average Net Assets					
Prior to fee waivers and balance credits	1.31%	1.30%	1.34%	1.62%	1.96%
Prior to fee waivers	1.31%	1.30%	1.34%	1.62%	1.96%
Net of fee waivers	1.30%	1.26%	1.30%	1.36%	1.36%
Ratio of Net Investment Income (Loss) to Average Net Assets	1.41%	(0.02)%	0.36%	(0.04)%	(0.21)%
Portfolio Turnover Rate	62%	36%	34%	46%	45%

Small-capitalization stocks or Small-caps are those issued by companies with market capitalizations up to \$2.5 billion.

Investing in Smaller Companies

Small-Cap and Micro-Cap Stocks

Royce views the large and diverse universe of U.S. small-cap companies available for investment by the Funds as having two investment segments or tiers—small-cap and micro-cap. Royce defines the upper tier of the small-cap universe as those companies with market capitalizations between \$750 million and \$2.5 billion. We refer to the segment of companies with market capitalizations up to \$750 million as micro-cap.

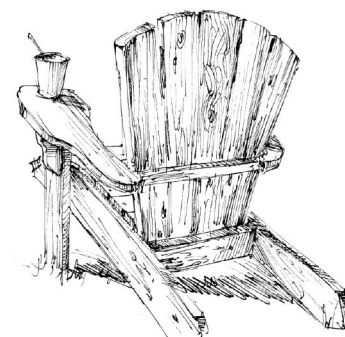
Small-cap and micro-cap companies offer investment opportunities and additional risks. They may not be well known to the investing public, may not be significantly owned by institutional investors and may not have steady earnings growth. In addition, the securities of such companies may be more volatile in price, have wider spreads between their bid and ask prices and have significantly lower trading volumes than the securities of larger capitalization companies.

As a result, the purchase or sale of more than a limited number of shares of a small-cap or micro-cap security may affect its market price. Royce may need a considerable amount of time to purchase or sell its positions in these securities, particularly when other Royce-managed accounts or other investors are also seeking to purchase or sell them. Accordingly, Royce's investment focus on small-cap and micro-cap securities generally leads it to have a long-term investment outlook of at least two years for a portfolio security.

The U.S. micro-cap segment consists of more than 3,200 companies. These companies are followed by few, if any, securities analysts, and there tends to be less publicly available information about them. Their securities generally have even more limited trading volumes and are subject to even more abrupt or erratic market price movements than are the securities in the upper tier of the small-cap universe, and Royce may be able to deal with only a few market-makers when purchasing and selling these securities. Such companies may also have limited markets, financial resources or product lines, may lack management depth and may be more vulnerable to adverse business or market developments. These conditions, which create greater opportunities to find securities trading well below Royce's estimate of the company's current worth, also involve increased risk.

The U.S. small-cap tier consists of more than 800 companies. In this segment, there is a relatively higher level of institutional investor ownership and more research coverage by securities analysts than generally exists for micro-cap companies. This greater attention makes the market for such securities more efficient compared to micro-cap securities because they have somewhat greater trading volumes and narrower bid/ask prices. As a result, Royce normally employs a more concentrated approach when investing in the upper tier of small-cap companies, holding proportionately larger positions in a relatively limited number of securities. The Funds may invest in other investment companies that invest in equity securities.

Market capitalization is the number of a company's outstanding shares of stock multiplied by its most recent closing price per share.



The Funds may invest a portion of their respective net assets in foreign securities. The foreign smaller-company market consists of more than 28,000 companies headquartered in developed countries. For more information regarding investing in foreign securities, see below – “Investing in Foreign Securities.”

Value Investing

Royce’s portfolio managers use various value methods in managing the Funds’ assets. In selecting securities for the Funds, they evaluate the quality of a company’s balance sheet, the level of its cash flows and other measures of a company’s financial condition and profitability. The portfolio managers may also consider 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. The portfolio managers then use these factors to assess the company’s current worth, basing this assessment on either what they believe a knowledgeable buyer might pay to acquire the entire company or what they think the value of the company should be in the stock market.

Royce’s portfolio managers generally invest in securities of companies that are trading significantly below their estimate of the company’s current worth in an attempt to reduce the risk of overpaying for such companies. Seeking long-term growth of capital, they also evaluate the prospects for the market price of the company’s securities to increase over a two- to five-year period toward this estimate.

Royce’s value approach strives to reduce some of the other risks of investing in small-cap and micro-cap securities (for each Fund’s portfolio taken as a whole) by evaluating other risk factors. For example, its portfolio managers generally attempt to lessen financial risk by buying companies with strong balance sheets and low leverage. Royce attempts to mitigate company-specific risk for Royce Micro-Cap Portfolio by investing in a relatively large number of micro-cap issuers.

While there can be no assurance that this risk-averse value approach will be successful, Royce believes that it can reduce some of the risks of investing in small-cap and micro-cap companies, which are inherently fragile in nature and whose securities have substantially greater market price volatility than mid-cap and large-cap securities. For more information regarding the specific approach used for each Fund’s portfolio, see pages 2-7.

Although Royce’s approach to security selection seeks to reduce downside risk to Fund portfolios, especially during periods of broad small-cap market declines, it may also potentially have the effect of limiting gains in strong small-cap up markets.

Temporary Investments

Each of the Funds may invest without limit in short-term fixed income securities for temporary defensive purposes. If a Fund should implement a temporary investment policy, it may not achieve its investment goal while that policy is in effect. Each Fund also may invest in short-term fixed income securities in order to invest uncommitted cash balances or to maintain liquidity to meet shareholder redemptions.

Investing in Foreign Securities

Foreign Securities

Royce defines “foreign” as those equity securities of companies headquartered outside of the United States. Royce believes that investing in foreign securities offers both enhanced

investment opportunities and additional risks beyond those present in U.S. securities. Investing in foreign securities may provide increased diversification by adding securities from various foreign countries (i) that offer different investment opportunities, (ii) that generally are affected by different economic trends and (iii) whose stock markets may not be correlated with U.S. markets. At the same time, these opportunities and trends involve risks that may not be encountered in U.S. investments.

The following considerations comprise both risks and opportunities not typically associated with investing in U.S. securities: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulations or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less government supervision of stock exchanges, securities brokers and issuers of securities; lack of uniform accounting, auditing and financial reporting standards; lack of uniform settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; possible imposition of foreign taxes; the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, the adoption of foreign government restrictions and other adverse political, social or diplomatic developments that could affect investment; sometimes less advantageous legal, operational and financial protections applicable to foreign sub-custodial arrangements; and the historically lower level of responsiveness of foreign management to shareholder concerns (such as dividends and return on investment).

Developing Countries

The risks described above for foreign securities, including the risks of nationalization and expropriation of assets, are typically increased to the extent that a Fund invests in companies headquartered in developing, or emerging market, countries. Investments in securities of companies headquartered in such countries may be considered speculative and subject to certain special risks. The political and economic structures in many of these countries may be in their infancy and developing rapidly, and such countries may lack the social, political, legal, and economic characteristics of more developed countries. Certain of these countries have in the past failed to recognize private property rights and have at times nationalized and expropriated the assets of private companies. Some countries have inhibited the conversion of their currency to another. The currencies of certain developing countries have experienced devaluation relative to the U.S. dollar, and future devaluations may adversely affect the value of a Fund's assets denominated in such currencies. Some developing countries have experienced substantial rates of inflation for many years. Continued inflation may adversely affect the economies and securities markets of such countries. In addition, unanticipated political or social developments may affect the value of a Fund's investments in these countries and the availability to the Fund of additional investments in these countries. The small size, limited trading volume and relative inexperience of the securities markets in these countries may make a Fund's investments in such countries illiquid and more volatile than investments in more developed countries, and the Fund may be required to establish special custodial or other arrangements before making investments in these countries. There may be little financial or accounting information available with respect to companies headquartered in these countries, and it may be difficult as a result to assess the value or prospects of an investment in such companies.



Charles M. Royce and
W. Whitney George

Royce invests in the equity securities of smaller companies that are trading significantly below our assessment of their current worth, with the expectation that their market prices should increase toward this estimate, resulting in capital appreciation for Fund investors.



Management of the Funds

Royce & Associates, LLC (“Royce”) is the Funds’ investment adviser and is responsible for the management of their assets. Royce has been investing in small-cap securities with a value approach for 40 years. Its offices are located at 745 Fifth Avenue, New York, NY 10151. Charles M. Royce has been the firm’s President and Chief Investment Officer during this period.

Royce’s investment staff includes, among others: W. Whitney George, Co-Chief Investment Officer, Managing Director and Vice President, who serves as assistant portfolio manager for Royce Micro-Cap Portfolio, Jenifer L. Taylor, who serves as portfolio manager for Royce Micro-Cap Portfolio, Jay S. Kaplan, Principal, who serves as portfolio manager for Royce Small-Cap Portfolio, and Brendan J. Hartman, who serves as assistant portfolio manager for Royce Micro-Cap Portfolio. Mr. George has been a Portfolio Manager at Royce since 2000. He has been employed by Royce since 1991. Ms. Taylor joined Royce in 2000 as an Analyst. Previously, she was an analyst at Credit Lyonnais Securities (since 1999) and prior to that was an analyst for the Special Situations Fund (1994-1999). Mr. Kaplan joined Royce in 2000 as a Portfolio Manager and previously was a Managing Director and Portfolio Manager at Prudential Investments. Mr. Hartman joined Royce in 2009 as a Portfolio Manager. Previously he was a Portfolio Manager for a long/short equity private investment vehicle, a Portfolio Manager at CRM (2003-2008), an Analyst at CRM (2001-2003), a Senior Research Analyst at Donaldson, Lufkin & Jenrette (1997-2001) and a Research Analyst at Salomon Brothers (1996-1997). Assistant portfolio managers may have investment discretion over a portion of a Fund’s portfolio subject to supervision by the Fund’s portfolio manager.

The Funds’ Statement of Additional Information provides more information about the structure of the portfolio managers’ compensation, other accounts that they manage and their ownership of shares in the Fund(s) that each manages.

Royce receives advisory fees monthly as compensation for its services to each Fund. The annual rates of these fees for each Fund, before any waiver to cap the expense ratios for Royce Micro-Cap Portfolio at specified levels as shown above under the section “Fees and Expenses,” are as follows:

- 1.25% of the average net assets of Royce Micro-Cap Portfolio.
- 1.00% of the average net assets of Royce Small-Cap Portfolio.

For a discussion of the basis of the Board of Trustees’ most recent approval of Royce Capital Fund’s investment advisory agreements, please see the Funds’ Semiannual Report to Shareholders.

Royce Fund Services, Inc. (“RFS”) distributes the Funds’ shares. Royce Capital Fund has adopted a distribution plan for the Service Class of the Funds under Rule 12b-1. Under the plan, the Service Class is obligated to pay a fee to RFS at the annual rate of up to 0.25% of its average net assets. RFS will use these fees primarily to cover sales-related, shareholder servicing and account maintenance costs and to pay service and other fees to financial intermediaries that introduce investors to the Service Class of these Funds.

State Street Bank and Trust Company is the custodian of the Funds’ securities, cash and other assets. Boston Financial Data Services–Midwest (“BFDS”) is the Funds’ transfer agent.



Jenifer L. Taylor and
Jay S. Kaplan

General Shareholder Information

Royce Capital Fund provides insurance companies with information Monday through Friday, except holidays, from 9 a.m. to 5 p.m. Eastern time. For information, prices and literature, or to obtain information regarding the availability of Fund shares or how Fund shares are redeemed, call Royce Capital Fund at (800) 221-4268.

Purchasing and Redeeming Shares of the Funds

Shares of the Funds will be sold on a continuous basis to separate accounts of insurance companies. The Funds will not issue stock certificates; share activity will be recorded in book entry form only. Investors may not purchase or redeem shares of the Funds directly, but only through the relevant variable contract. You should refer to the applicable variable contract prospectus or your Plan documents for information on how to purchase or surrender a contract, make partial withdrawals of contract values, allocate contract values to one or more of the Funds, or change existing allocations among investment alternatives, including the Funds. No sales charge is imposed upon the purchase or redemption of shares of the Funds. Any sales charges for the variable contracts would be described in the relevant Separate Account Prospectuses.

From time to time, Royce or its affiliates may pay amounts out of its own resources to insurance companies or other organizations that provide administrative services for the Funds or that provide services relating to the Funds to owners of variable contracts. Payment of such amounts by Royce, which are in addition to any distribution fees paid by RFS, will not increase the fees paid by the Funds or their shareholders.

These payments, sometimes referred to as “revenue-sharing payments,” to insurance companies or other organizations (each a “financial intermediary”) may be more or less than the payments received by these parties with respect to other mutual funds, and may influence the insurance companies or other organizations to make a Fund available over other mutual funds. You may ask your intermediary about these differing interests and how it is compensated for administering your Fund investment. Revenue-sharing payments may benefit Royce to the extent that the payments result in more assets, on which fees are charged by Royce, being invested in a Fund.

Net Asset Value (NAV) is the value of each Class of a Fund's net assets divided by the number of its outstanding shares.

Total return is the percentage rate of return on an amount invested in a fund from the beginning to the end of the stated period and includes the reinvestment of distributions.

For the year ended December 31, 2012, Royce made payments to insurance companies or other organizations out of its own resources in the amount of \$3,167,550. More information about these arrangements can be found in the Fund's Statement of Additional Information.

If the Board of Trustees determines that it would not be in the best interest of a Fund's remaining shareholders to make redemptions in cash, the Fund may pay redemption proceeds in whole or in part by a distribution-in-kind of selected portfolio securities.

Fund shares are purchased or redeemed at the net asset value per share next computed after receipt of a purchase or redemption order by Royce Capital Fund's transfer agent or an authorized service agent or sub-agent. Payment for redeemed shares will be made within seven days (generally within three business days) following the receipt of a redemption request in good order. However, payment may be postponed under unusual circumstances, such as when normal trading is not taking place on the New York Stock Exchange, an emergency exists (as defined by the Securities and Exchange Commission) or as permitted by the Securities and Exchange Commission.

Customer Identification Program

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. When you open a new account to buy shares of a Fund, Royce Capital Fund or your financial intermediary may ask for your name, address, date of birth and other information that will allow the Fund to identify you. If the Fund or your financial intermediary is unable to adequately verify your identity within the time frames set forth in the law, your shares may be automatically redeemed. If the net asset value per share has decreased since your purchase, you will lose money as a result of this redemption.

Frequent Trading of Fund Shares

Large and frequent short-term trades in a Fund's shares increase the administrative costs associated with processing its shareholder transactions. This kind of trading may also potentially interfere with the efficient management of a Fund's portfolio and increase the costs associated with trading its portfolio securities. In addition, under certain circumstances frequent trading may dilute the returns earned on shares held by a Fund's other shareholders.

Royce Capital Fund's Board of Trustees has determined that the Funds are not designed to serve as vehicles for frequent trading in response to short-term fluctuations in the securities markets, and has therefore adopted a policy intended to discourage shareholders from trading that could be detrimental to long-term shareholders of the Funds (the "Policy").

The Policy provides that the Funds will monitor shareholder trading activity and will seek to restrict a shareholder's trading privileges in a Fund if that shareholder is found to have engaged in multiple "Round Trip" transactions. A "Round Trip" is defined as a purchase (including exchanges) into a Fund followed by a sale (including exchanges) of the same or a similar number of shares out of the Fund within 30 days of the purchase. The Funds will make inquiries or take action against any such shareholder whose trading appears inconsistent with

the Policy. Purchases and sales of Fund shares made through an automatic investment plan or systematic withdrawal plan are not considered when determining Round Trips.

The Funds may reject any purchase or exchange order by any investor for any reason, including orders the Funds believe are made by short-term investors. In particular, under the Policy the Funds reserve the right to restrict or reject purchases of shares (including exchanges) without prior notice whenever they detect a pattern of excessive trading.

With respect to accounts where shareholder transactions are processed, or records are kept, by third-party intermediaries, the Funds use reasonable efforts to monitor such accounts to detect suspicious trading patterns. Transactions placed through the same financial intermediary or omnibus account may be deemed part of a group for this purpose and therefore be rejected. For any account that is so identified, the Funds will make further inquiries and take any other necessary actions to enforce the Policy against the shareholder(s) trading through this account and, if necessary, the third-party intermediary maintaining this account. However, the Funds may not be able to determine that a specific order, especially an order made through an omnibus, or similar account, is short term or excessive and whether it may be disruptive to the Funds. There is no assurance, therefore, that the Funds will reject all such orders. The Funds do not have any arrangements with any investor or financial intermediary to permit frequent purchases and redemptions of their shares. The Funds may accept undertakings from intermediaries to enforce frequent trading policies on behalf of the Funds that provide a substantially similar level of protection against excessive trading.

Although the Funds will monitor shareholder transactions for certain patterns of excessive trading activity, there can be no assurance that all such trading activity can be identified, prevented or terminated.

Net Asset Value per Share

Net asset value per share (NAV) is calculated by dividing the value of a Fund's net assets by the number of its outstanding shares. Each Fund's investments are valued based on market value or, if market quotations are not readily available, at their fair value as determined in good faith under procedures established by Royce Capital Fund's Board of Trustees. In certain cases, market value may be determined using information provided by a pricing service approved by the Board of Trustees. Valuing securities at their fair values involves greater reliance on judgment than valuation of securities based on readily available market quotations. When using fair value methods to price securities, the Funds may value those securities higher or lower than another fund using not readily available market quotations or its own fair value methods to price the same securities. There can be no assurance that the Funds could obtain the fair value price assigned to a security if it were to sell the security at approximately the time at which the Fund determines its net asset value. Because trading hours for certain non-U.S. securities end before the close of the New York Stock Exchange (NYSE) (generally 4 p.m. Eastern time), closing market quotations may become unreliable. 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. If an issuer-specific event has occurred during this time that, in Royce's judgment, is likely to have affected the closing price of a security, it may fair value the security. The Funds use 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. The Funds value their non-U.S. securities in U.S. dollars on the basis of foreign currency exchange rates provided to the Funds by their custodian, State Street Bank and Trust Company. When fair value pricing is employed, the price of securities used by a Fund may differ from quotes or published prices for the same security. Certain bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services. Investments in money market funds are valued at net asset value per share.

The date on which your purchase, redemption or exchange of shares is processed is the trade date, and the price used for the transaction is based on the next calculation of net asset value after the order is processed. The NAV for each Class of a Fund is calculated as of the close of regular trading on the NYSE (generally 4 p.m. Eastern time) and is determined every day that the NYSE is open. Securities in each Fund's portfolio that primarily trade on a foreign exchange may change in value on a day that the Exchange is closed and the Fund's shareholders are not able to redeem shares in the Fund. If the Fund, its transfer agent or any other authorized agent receives your trade order by the close of regular trading on the NYSE, your order will receive that day's NAV. If your order is received after the close of regular trading, it will receive the next business day's NAV. If you place your order through a financial intermediary rather than with the Fund or its transfer agent directly, the financial intermediary is responsible for transmitting your order to the Fund's transfer agent in a timely manner.

Portfolio Disclosure Policy

A description of the Funds' policy and procedures with respect to the disclosure of its portfolio securities holdings is available in the Royce Capital Fund's Statement of Additional Information on www.roycefunds.com. The Funds' complete portfolio holdings are also available on the website approximately 15 to 20 days after each calendar quarter end and remain available until the next quarter's holdings are posted. The Funds' portfolio holdings are also available on Form N-Q, which is filed with the Securities and Exchange Commission within 60 days of the end of the Funds' first and third quarters and can be obtained at www.sec.gov.

Shareholder Communications

Owners of variable contracts will receive annual and semiannual reports, including the financial statements of the Funds that they have authorized for investment. Each report will also show the investments owned by each Fund and the market values thereof, as well as other information about the Funds and their operations. Royce Capital Fund's fiscal year ends December 31. These reports are available at the Fund's website, www.roycefunds.com.

Dividends, Distributions and Taxes

Each Fund pays dividends from any net investment income and makes any distributions from net realized capital gains each year in December. Unless you elect otherwise, dividends and distributions will be automatically reinvested in additional shares of each Fund.

Each Fund has qualified and intends to remain qualified each year for the tax treatment applicable to a regulated investment company under Subchapter M of the Internal Revenue Code. Each Fund also intends to comply with Section 817(h) of the Internal Revenue Code and the regulations thereunder with respect to the diversification requirements imposed on insurance company separate accounts. By meeting these and other requirements, the owners of the variable contracts should not be subject to tax on distributions received with respect to Fund shares. The tax treatment to a participating insurance company of distributions made to it by the Funds will depend on the insurance company's tax status.

Shares of the Funds may be purchased through variable contracts. As a result, it is anticipated that any net investment income dividends or capital gains distributions from the Fund will not be taxable to a holder of a variable contract if left to accumulate within the variable contract.

Each Fund will be managed without regard to tax ramifications (other than seeking to comply with Section 817(h) and Subchapter M of the Internal Revenue Code).

The tax status of your investment depends on the features of your variable contract. For further information, please refer to the prospectus or disclosure documents of your variable contract. Prospective investors are encouraged to consult their own tax advisors.

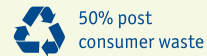
The above discussion is only a summary of some of the important tax considerations generally affecting the Fund and its shareholders.

See the Statement of Additional Information for more information.

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More information on Royce Capital Fund is available free upon request, including the following:

Annual/Semiannual Reports

Additional information about a Fund’s investments, together with a discussion of market conditions and investment strategies that significantly affected the Fund’s performance, is available in the Funds’ annual and semiannual reports to shareholders. These reports are also available online at www.roycefunds.com/literature and by phone.

Statement of Additional Information (“SAI”)

Provides more details about Royce Capital Fund and its policies. A current SAI is available at www.roycefunds.com/literature and by phone. It is also on file with the Securities and Exchange Commission (“SEC”) and is incorporated by reference (is legally considered part of this prospectus).

To obtain more information:

By mail:

Royce Capital Fund, 745 Fifth Avenue, New York, NY 10151

By telephone: (800) 221-4268

Through the Internet: Prospectuses, applications, IRA forms and additional information are available through our website at www.roycefunds.com/literature.

Text only versions of the Funds’ prospectus, SAI and other documents filed with the SEC can be viewed online or downloaded from www.sec.gov.

You can also obtain copies of documents filed with the SEC by visiting the SEC’s Public Reference Room in Washington, DC (telephone (202) 551-8090) or by sending your request and a duplicating fee to the SEC’s Public Reference Section, Washington, DC 20549-1520. You may also make your request by e-mail at publicinfo@sec.gov after paying a duplicating fee.