

For Immediate Release

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Royce & Associates Sees Buying Opportunity in Select Sectors within the Small Cap Universe

Singapore – 31 May 2011 - US small cap specialist Royce & Associates (Royce) says there are still plenty of good investing opportunities within the small-cap universe despite the market's strong first-quarter performance. Given the better-than-expected earnings and balance sheets, and the fact that a large part of the small-cap market, such as the housing and financials sectors, still has not participated in the current recovery, the firm believes that positive news has yet to be fully priced in.

“Outside of fundamental equity analysis, it is worth noting that for years money has been pouring into fixed income investments but there is evidence that some of the money is now flowing back into the equity market. This basic supply/demand consideration on stocks is also in equity investors' favour,” says William Hench, portfolio manager at Royce & Associates.

Merger and acquisition activity has been picking up and Royce believes that the M&A cycle will likely heat up further, particularly within the technology and healthcare sectors, due mainly to the extremely well-funded balance sheets and positive business outlook.

On earnings outlook, Royce expects that while there will be disappointments, there will also be opportunities to invest in additional new stocks.

“There were huge buying opportunities in 2008 and 2009, and while general expectations were not high at the time, it had nonetheless worked out well. Obviously, those sorts of valuations are not available now. Instead it is a pretty normal market in that we have a recovery and there are questions as to whether it is a good recovery or bad recovery and will employment ever improve. The key is to remain focused on taking advantage of those stocks that are cheap,” concludes Mr. Hench.

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Notes to editors

About Royce & Associates

Royce & Associates is a wholly owned affiliate of Legg Mason, Inc. entirely focused on the US Small Cap market. President and Co-Chief Investment Officer, Charles M. Royce, one of the pioneers of small-cap investing, began to run the firm in 1972.

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