



Portfolio Manager Q&A



Mark Spellman
Portfolio Manager

Mr. Spellman has been Portfolio Manager of the Value Line Income and Growth Fund since 2011. He has over 25 years experience and currently manages funds containing approximately \$500M in net assets. Mr. Spellman earned a B.S. in Finance and Computer Science from Boston College.

Value Line Income and Growth Fund

Overall  Rating



Among 802
Moderate Allocation Funds
(as of 3/31/13)

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the Fund's 3-, 5-, and 10-year (if applicable) Morningstar metrics. The Fund received 3 stars for the 3-year period and 4 stars for the 5-year period and 5 stars for the 10-year period ended 3/31/13 among 802, 697 and 414 Moderate Allocation funds, respectively.

Fund Facts

Symbol: VALIX
Total assets (4/30/13): \$311M
Inception date: 10/1/52

Value Line Funds

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The Value Line Income and Growth Fund

Q1: As a balanced fund, the Income and Growth Fund has rewarded shareholders with top quartile performance relative to the Morningstar Moderate Allocation category average for the 3, 5 and 10 year periods with below average risk as of 3/31/13, based on risk-adjusted returns. Why does the Fund emphasize income as its top objective?

As a balanced offering, the Fund has a more flexible mandate that emphasizes income and secondarily capital appreciation across the broad universe of stocks, bonds and convertible securities. The rationale for income and its importance in equity investing is rather straightforward. From a total return perspective approximately 40% of the long-term return of equities has been derived from dividends and the remaining 60% from capital appreciation. Our focus on dividend income is particularly relevant since fixed income continues to be subject to an extended low rate environment. Additionally, higher dividend paying stocks may be more defensive in periods of market stress.

Q2: What is the Fund's equity composition?

Currently, the Fund has an approximate equity weighting of 68% with the remainder in fixed income. The Fund's equity operating range generally falls between 55-70% of overall assets. By prospectus, the Fund must maintain at least a 50% equity allocation. Our position at the upper end of our equity range is indicative of our enthusiasm for dividend growth from select equities relative to fixed income securities. With the yield on the S&P 500 greater than the 10-year Treasury and Corporate America in excellent health, we believe that we can capture attractive levels of income and be paid to wait for potential capital appreciation to take hold.

Q3: With over 100 stocks in the portfolio, what are the key selection criteria?

We are looking for stocks that have above average yield with below average dividend payout ratios. We favor companies that have strong levels of free cash flow and have the ability and inclination to raise their dividend payouts. Historically, we like to purchase companies that are increasing the dividends at a 10% or better annual rate. With respect to capital appreciation, we seek companies that have exhibited predictable and consistent growth over extended periods yet have a long future growth runway. We seek to purchase companies at a reasonable price and because of our emphasis on dividend income; our holdings today tend to be value-oriented large companies. We view ourselves as patient investors as our holding period is more long-term than short-term.

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Q4: Does your dividend-oriented equity investment style lead you to any particular sectors?

Since our emphasis is on a two-prong selection approach (income and capital appreciation) certain sectors seem to be more conducive for inclusion. Currently, our portfolio tends to be more tilted to the industrial, staples and financial sectors because companies in these sectors typically are more mature and generate substantial levels of free cash flow. They often have a leading market share within their competitive universe and offer a long runway for growth.

Q5: On the fixed income side, is income the primary focus?

While income is certainly a key selection factor, quality must be considered. We will not stretch for yield in lieu of principal protection. The Fund is conservatively managed and tends to have a low risk profile relative to its Morningstar peer group. Our fixed income holdings include intermediate term, investment grade corporate securities, treasuries and agencies. The careful balance between risk and reward guides each of our portfolio selections.

Value Line Income and Growth Fund (VALIX)

Performance (as of 3/31/13) based on risk-adjusted returns	Average Annual Total Return			
	1 Year	3 Year	5 Year	10 Year
Income and Growth Fund (VALIX)	11.71%	7.91%	5.54%	9.16%
60/40 (S&P 500/ Barclays US Aggregate Bond)	9.88	9.80	5.67	7.13
Morningstar Moderate Allocation Cat. Avg.	9.22	8.39	4.79	7.19
Category Rank (%)	15%	64%	34%	4%
# of Funds in Category	920	802	697	414
Expense ratio: 1.19 % (Gross) 1.14 (Net)*				

The performance data quoted herein represents past performance and does not guarantee future results. Market volatility can dramatically impact the fund's short term performance. Current performance may be lower or higher than figures shown. The investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than their original cost. Past performance data through the most recent month end is available at vlfunds.com or by calling 1-800-243-2729. The average annual returns shown above are historical and reflect changes in share price, reinvested dividends and are net of expenses. Investment results and the principal value of an investment will vary.

You should carefully consider investment objectives, risks, charges and expenses of Value Line Mutual Funds before investing. This and other information can be found in the fund's prospectus and summary prospectus, which can be obtained free of charge from your investment representative, calling 800.243.2729, or by clicking on the applicable fund at www.vlfunds.com. Please read it carefully before you invest or send money. The inception dates of Value Line Mutual Funds range from 1950 to 1993. Value Line Mutual Funds are distributed by EULAV Securities LLC. Past performance is no guarantee of future results.

* For the period May 1, 2012 through June 30, 2013 EULAV Securities LLC (the "Distributor") contractually agreed to waive a portion of the Fund's Rule 12b-1 fee in an amount equal to 0.05% of the Fund's average daily net assets. The waiver cannot be terminated before June 30, 2013 without the approval of the Fund's Board of Directors. For various periods, the Distributor similarly waived a portion of the Fund's Rule 12b-1 fee. The Fund's performance would be lower in the absence of such waivers.

The Morningstar Rating™ for funds methodology rates funds based on an enhanced Morningstar Risk-Adjusted Return measure, which also accounts for the effects of all sales charges, loads, or redemption fees. Funds are ranked by their Morningstar Risk-Adjusted Return scores and stars are assigned using the following scale: 5 stars for top 10%; 4 stars next 22.5%; 3 stars next 35%; 2 stars next 22.5%; 1 star for bottom 10%. Funds are rated for up to three periods: the trailing three-, five-, and 10-years. For a fund that does not change categories during the evaluation period, the overall rating is calculated using the following weights: At least 3 years, but less than 5 years uses 100% three-year rating. At least 5 years but less than 10 years uses 60% five-year rating/ 40% three-year rating. At least 10 years uses 50% ten-year rating / 30% five-year rating / 20% three-year rating.

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