



Income and Growth Fund

Overall **MORNINGSTAR** Rating



Among 815 Moderate Allocation Funds (as of 6/30/15)

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.

Portfolio Managers



Cindy Starke

- Nearly 20 years of experience
- Fund manager since 2014
- MBA - Fordham University
- BS - Fordham University



Stephen E. Grant

- Over 20 years of experience
- Fund manager since 2014
- MBA - Wharton
- BA - Stanford University



Liane Rosenberg

- Over 20 years of experience
- Fund manager since 2009
- MBA - Fordham University
- BA - State University of New York at Albany

Fund Facts

Symbol: VALIX
 Inception date: 10/01/52
 Total assets: \$390M
 (as of 6/30/15)

Portfolio Manager Q&A

Value Line Income and Growth Fund (VALIX)

Q1: Over the past quarter, the percentage of equities within the Value Line Income and Growth Fund has increased slightly. Does this allocation indicate an opportunistic view toward equities?

The Fund pursues income and growth by taking a flexible asset allocation approach. Historically, the Fund's operating range for equities has varied from a low of 50% to a high of 80%, shifting between equities and fixed income depending on market conditions and relative opportunity.

The Fund's current allocation to equities is 78% while fixed income and cash is 22% as of June 30, 2015. We wouldn't characterize the larger allocation to equities as a lack of opportunity in fixed income but rather as a prudent allocation given the expected interest rate increase by the Federal Reserve. We believe stocks should continue to provide more to upside relative to fixed income, and therefore, would rather commit capital to equities that are well-positioned to outperform over the next six-to-twelve months.

Q2: With the Federal Reserve expected to take action in 2015, how might higher interest rates impact investors' appetite for income-oriented securities?

The U.S. has been in a historically low interest rate environment for many years. Already this year, we have seen the negative impact of an upcoming Fed rate hike on interest rate sensitive areas of the equity market. In the first half of the 2015, the market punished higher dividend-paying sectors especially companies in the Utilities and Real Estate industries.

However, as the Fed has well-telegraphed a likely slow pace of interest rate increases in the coming years, we believe dividend-yielding stocks, in general, will perform well over the longer term for two reasons: 1) Stocks provide the potential for capital appreciation; and 2) Many companies should continue to have dividend yields in excess of bonds.

"We do not focus on owning the highest yielding stocks, which is meaningful because, unlike high dividend-payers, our stocks are not likely owned by investors solely for their yield."

As we seek to own companies that can increase dividends and payout ratios over time, we focus on companies with strong fundamentals and growing businesses that will be able to support this dividend growth. At June 30, 2015, about 75% of the Fund's equity holdings pay dividends. We do not focus on owning the highest yielding stocks, which is meaningful because, unlike high dividend-payers, our stocks are not likely owned by investors solely for their yield. Therefore, we believe the impact of higher rates will be minimal for the Fund.

Dividend metrics for our equity holdings appear attractive. As of June 30, 2015, the dividend payout ratio for the Fund was approximately 39% and the yield was approximately 2%. Notably, companies in the Fund that pay dividends have been increasing the distribution amount at a rapid pace.

Q3: The Fund is over-weighted versus the S&P 500 Index in the Health Care, Information Technology and Consumer Discretionary sectors at quarter end. What characteristics do you find most attractive in the companies the Fund owns in these sectors?

The Fund's holdings in the Health Care, Technology and Consumer Discretionary sectors tend to be less cyclical and have attractive longer-term investment drivers. Importantly, the Fund invests in fundamentally strong companies that have the ability to grow sales and earnings faster than the overall market. Our holdings in these three sectors have been growing faster than the overall market. On a one-year trailing basis as of June 30, 2015, sales growth in the Fund's Health Care companies was 26.5% compared to growth of 15.5% for such companies in the S&P 500 Index. Information Technology companies grew sales at 24.4% versus 10.6% for like S&P companies. Lastly, in the Consumer Discretionary sector, trailing one-year sales growth for the Fund's holdings was 9.7% versus the Index's growth in the sector of 7.7%.

Value Line Income and Growth Fund Performance (as of 6/30/15)				
	Average Annual Returns			
	1 Year	3 Year	5 Year	10 Year
Income and Growth Fund (VALIX)	6.01%	12.19%	10.92%	7.24%
60/40 S&P 500/Barclays U.S. Aggregate Bond	5.20	11.12	11.74	6.51
Morningstar Moderate Allocation Cat. Avg.	2.06	10.08	10.38	5.98
Morningstar Category Rank (%)	5	11	37	10
# of Funds in Category	917	815	703	472
Morningstar Return		High	Above Avg.	Above Avg.
Morningstar Risk		Average	Below Avg.	Below Avg.
Expense Ratio: 1.15%				

Morningstar rates funds based on enhanced Morningstar risk-adjusted returns.

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 www.vlfunds.com or by calling 800.243.2729. 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, by 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 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.

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. The Value Line Income and Growth Fund received 5 stars for the 3-year period, and 4 stars for the 5- and 10-year periods among 815, 703 and 472 Moderate Allocation Funds respectively, for the period ended 6/30/15.

There are risks associated with investing in small and mid cap stocks, which tend to be more volatile and less liquid than stocks of large companies, including the risk of price fluctuations.

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.**

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