



Overall **MORNINGSTAR** Rating



(Investor)

Among 326 70-85% Equity Allocation Funds
(as of 3/31/19)

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

- Over 20 years of experience
- Fund manager since 2014

- MBA - Fordham University
- BS - Fordham 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

Investor	VALIX
Institutional	VLIIX

Inception Date

Investor	10/1/52
Institutional	11/1/15

Total Assets

\$486M
(as of 3/31/19)

Top 10 Holdings

(as of 3/31/19)

Celgene Corp.	4.00%
Amarin Corp. PLC ADR	3.44%
Alphabet, Inc. A	3.41%
Alexion Pharmaceuticals, Inc.	3.36%
Amazon.com, Inc.	3.32%
Visa, Inc. Class A	3.01%
Exelixis, Inc.	2.61%
Alibaba Group Holding Ltd. ADR	2.61%
Facebook, Inc. A	2.59%
Intercept Pharmaceuticals, Inc.	2.32%

Portfolio Manager Q&A

Value Line Capital Appreciation Fund (VALIX/VLIIX)

Q1: The Fund achieved exceptional performance this quarter in addition to ranking in the top 5% or better among funds in the Morningstar 70-85% Equity Allocation Funds category for the 1, 3, 5 and 15 year periods ended March 31, 2019. How did the Fund perform in the first quarter of 2019 against its peers?

The Fund rose 17.0% for the quarter ended March 31, 2019, outperforming the Morningstar peers' average return of 10.3% by over 600 basis points for the quarter. The Fund's equity portion totaled approximately 85% of total Fund assets at quarter's end and was comprised primarily of high-quality, faster growing larger companies that we believe are well positioned for long-term growth.

During the first quarter, the Fund benefited the most from our equity positions in the following three sectors:

- 1. Health Care.** The Health Care sector was our largest contributor to returns this quarter, with an average weight of 32%, more than double the S&P 500 Index's average weight of 15%. The Fund's Health Care holdings rose nearly 26% on average well surpassing the S&P's Health Care stocks' nearly 7% return. Some of our top contributors in this sector for the quarter were biopharmaceutical companies Celgene Corp. (+47%), Alexion Pharmaceutical (+39%) and Amarin Corp. (+53%).
- 2. Information Technology.** The Fund's holdings in this sector gained 25% on average, while the S&P's Technology stocks rose approximately 20%. The Fund's top-performing Technology stocks included customer service software company Zendesk, Inc. (+46%), software-as-service firm ServiceNow, Inc., (+38%) and graphics chip designer Nvidia Corp. (+35%).
- 3. Financials.** While the Fund was underweight this sector compared to the S&P 500, our holdings produced an average return of approximately 12% compared to 9% for the S&P's Financials stocks. The Fund's top contributors in this sector included alternative asset manager Blackstone Group (+19%), global financial services company Citigroup, Inc. (+20%) and financial institution Bank of America (+13%).

Q2: What differentiates the Fund from its Morningstar category peers?

Our ownership in dominant and faster growing companies is one of the key differences between the Fund and other balanced Funds. Many balanced funds use a value style, or a blend of value and growth, for their equity portfolio allocations. In fact, less than 20% of our peers in the Morningstar 70-85% Equity Allocation Funds category use a growth style for their equity selection.

For the Fund's equity portion, we emphasize ownership in market leading companies with strong management teams that we believe are positioned to deliver above average growth in both sales and earnings in the coming years. These are companies that have unique products or services, market leading positions in industries with high barriers to entry, and have scalable business models.

Q3: How do growth rates for the Fund's holdings compare to companies in the S&P 500 Index?

With our emphasis on longer term growth, the Fund's 3-year projected sales growth rate was 17%, almost three times the projected 6% projected growth rate of the S&P 500 as of March 31, 2019. In addition, the Fund had a 3- to 5-year estimated forward earnings growth rate of 19%, nearly double the S&P 500's rate of 11% over the same time period.

Value Line Capital Appreciation Fund Performance (as of 3/31/19)

	QTD	Average Annual Returns				
		1 Year	3 Year	5 Year	10 Year	15 Year
Investor - VALIX	17.00	10.88	13.92	9.22	11.50	8.10
Institutional - VLIIX¹	17.21	11.22	14.27	9.23	11.51	8.10
60/40 S&P 500/BbgBarc US Agg. Bond Index	9.31	7.78	8.95	7.75	11.14	6.93
Morningstar 70-85% Equity Allocation Cat. Avg.	10.33	2.86	8.38	5.32	11.09	6.28
Percentile Rank in Morningstar Cat. - VALIX		3	1	2	36	3
# of Funds in Category		361	326	285	195	113
Morningstar Return			High	High	Avg	
VALIX Gross/Net Expense Ratio: 1.11%, VLIIX Gross/Net Expense Ratio*: 1.63% / 0.86%						

Morningstar Ratings and Categories based on risk adjusted returns of Investor class shares.

¹Italics indicates Morningstar Extended Performance. Extended performance is an estimate based on the performance of the fund's oldest share class, adjusted for fees. The inception date of VLIIX is November 1, 2015.

*EULAV Asset Management (the "Adviser") and EULAV Securities LLC, the Fund's principal underwriter (the "Distributor"), have agreed to waive certain class-specific fees and/or pay certain class-specific expenses incurred by the Institutional Class so that the Institutional Class bears its class-specific fees and expenses at the same percentage of its average daily net assets as the Investor Class's class-specific fees and expenses (excluding 12b-1 fees and any extraordinary expenses incurred in different amounts by the classes) (the "Expense Limitation"). The Adviser and the Distributor may subsequently recover from assets attributable to the Institutional Class the reimbursed expenses and/or waived fees (the recoupment period is 3 years from the month in which the waiver/reimbursement occurred) to the extent that the Institutional Class's expense ratio is less than the Expense Limitation or, if lower, the expense limitation in effect when the waiver/reimbursement occurred. The Expense Limitation can be terminated or modified before June 30, 2019 only with the agreement of the Fund's board. The Fund's performance would be lower in the absence of such waivers.

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, or "star rating" is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product 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 Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-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 three-year period actually has the greatest impact because it is included in all three rating periods. The Fund received 5 stars for the 3- and 5-year periods and 4 stars for the 10-year period ended 3/31/19 among 326, 285 and 195 70-85% Equity Allocation funds, respectively.

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.

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