



**Overall Morningstar Rating**



(Investor)

Among 318 70-85% Equity Allocation Funds  
(as of 3/31/18)

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

**Portfolio Manager Q&A**

**Value Line Capital Appreciation Fund (VALIX/VLIIX)**

**Q1: The Fund has top decile (10% or better) performance in the Morningstar 70-85% Equity Allocation Funds category for the 1-, 3-, 5-, 10-, and 15-year periods as of March 31, 2018? What has driven the Fund's performance?**

We believe these exceptional results have been driven by combination of our flexible allocation to stocks and bonds and our security selection. As of March 31, 2018, the Fund had approximately 84% in equities and 16% in fixed income and cash. With the equity portion of the portfolio, we emphasize owning faster growing, larger companies that we believe are well-positioned for long-term success. These companies often have secular growth drivers due to their unique products and services, or compete in industries with high barriers to entry, and tend to have market-leading positions. Within the Morningstar 70-85% Equity Allocation category, less than 20% of funds have a large-cap growth investment style.

With a focus on owning leading growth companies, on average we look for companies that can grow their sales at 10% and earnings at 15% over the next few years. As a result, the Fund has 3-year projected sales growth rate of 15.4%, more than double the projected growth of the S&P 500's at 6.9% as of March 31, 2018. In addition, the Fund had a 3- to 5-year estimated forward earnings growth rate of 21.9%, almost double the S&P 500's rate of 12.8% over the same time period.

**Q2: After a quiet 2017, volatility returned to equity markets. How did the Fund perform compared to its benchmark the 60/40 S&P 500/Bloomberg Barclays US Aggregate Bond Index?**

The Fund was up 2.65%, while the blended Index fell 0.97%. Additionally, while the Fund held equities and fixed income securities, it outperformed the S&P 500 Index, which declined 0.76% in the first quarter. Within the equity portfolio, the Fund benefited from both stock selection and allocation. Strong areas of outperformance included the Information Technology, Consumer Staples and Energy sectors.

Information Technology was one of only two sectors in the S&P 500 that delivered positive results in the first quarter of 2018, rising nearly 4%. The Fund's Information Technology holdings did even better and rose almost 10%, on average. In addition, the Fund had an overweight allocation to Technology stocks. Three notable Technology performers in the Fund this quarter included mobile food-ordering and delivery company GrubHub (+41%); customer service software company Zendesk (+41%) and semiconductor device manufacturer Micron Tech (+28%). In Consumer Staples, the Fund had an average 4% weighting, nearly half the weighting in the S&P 500. For the Index, Consumer Staples was a weak performer, declining 7% on average, while the Fund's positions fared much better and remained unchanged. In the Energy sector, despite having a similar weighting as the Index, the Fund's stock selection delivered as shares rose nearly 3%, compared to a decline of almost 6% for the Energy stocks in the Index.

**Fund Facts**

**Symbol**

Investor VALIX  
Institutional VLIIX

**Inception Date**

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

**Total Assets**

\$425M  
(as of 3/31/18)

**Top Ten Holdings**

Alexion Pharmaceuticals, Inc.	4.32%
Visa, Inc.	3.09
Activision Blizzard, Inc.	2.82
Facebook, Inc.	2.81
Celgene Corp.	2.66
Bank of America Corp.	2.53
Vertex Pharmaceuticals, Inc.	2.18
Amazon.com, Inc.	2.17
Alphabet, Inc.	2.02
Tesaro Inc.	2.01

**Q3: How might volatility affect the portfolio in 2018?**

As longer-term focused investors, we try to take advantage of periods of greater volatility by adding to existing positions or establishing new positions at more attractive valuations. Regardless of the direction and level of volatility in the equity markets in 2018, we will maintain our bottom-up investment approach, looking to own the best positioned growth companies for the longer term. We believe the best way to outperform over time is to remain focused on owning companies with faster growth and strong business fundamentals.

**Value Line Capital Appreciation Fund Performance (as of 3/31/18)**

	Average Annual Returns					
	QTD	1 Year	3 Year	5 Year	10 Year	15 Year
<b>Investor - VALIX</b>	<b>2.65%</b>	<b>16.96%</b>	<b>8.26%</b>	<b>9.78%</b>	<b>7.64%</b>	<b>9.37%</b>
<b>Institutional - VLIIX<sup>1</sup></b>	<b>2.64</b>	<b>17.31</b>	<b>8.16</b>	<b>9.72</b>	<b>7.61</b>	<b>9.35</b>
60/40 S&P 500/BbgBarc US Agg. Bond Index	-0.97	8.81	6.99	8.72	7.42	7.85
Morningstar 70-85% Equity Allocation Cat. Avg.	-1.14	9.75	5.63	7.74	6.15	7.93
<b>Percentile Rank in Morningstar Cat. - VALIX</b>		<b>1</b>	<b>6</b>	<b>6</b>	<b>8</b>	<b>8</b>
# of Funds in Category		351	318	276	203	94
Morningstar Return			<b>High</b>	<b>High</b>	<b>High</b>	
VALIX Expense Ratio: 1.16%, VLIIX Gross/Net Expense Ratio*: 4.82% / 0.91%						

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

<sup>1</sup>*Italics 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.*

**As of 3/31/18, the Fund's Top 10 Holdings were as follows: Alexion Pharmaceuticals, Inc. (4.32%), Visa, Inc. (3.09%), Activision Blizzard, Inc. (2.82%), Facebook, Inc. (2.81%), Celgene Corp. (2.66%), Bank of America Corp. (2.53%), Vertex Pharmaceuticals, Inc. (2.18%), Amazon.com, Inc. (2.17%), Alphabet, Inc. (2.02%), Tesaro Inc. (2.01%).**

\*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 (within 3 years after the fiscal year end 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](http://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](http://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-, 5- and 10-year periods ended 3/31/18 among 318, 276 and 203 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.*

**Past performance is no guarantee of future results. Value Line Mutual Funds are distributed by EULAV Securities, LLC.**

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