



**Overall Morningstar Rating**



(Investor)

Among 317 70-85% Equity Allocation Funds  
(as of 6/30/19)

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**

\$504M  
(as of 6/30/19)

**Top 10 Holdings**

(as of 6/30/19)

|                               |      |
|-------------------------------|------|
| Amazon.com, Inc.              | 3.74 |
| Amarin Corp. PLC ADR          | 3.71 |
| Alexion Pharmaceuticals, Inc. | 3.23 |
| Visa, Inc. Class A            | 2.91 |
| Facebook, Inc. A              | 2.74 |
| Exelixis, Inc.                | 2.70 |
| Alphabet, Inc. A              | 2.65 |
| Exact Sciences Corp.          | 2.45 |
| GrubHub, Inc.                 | 2.31 |
| Splunk, Inc.                  | 2.23 |

**Portfolio Manager Q&A**

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

**Q1: Would you please comment on the Fund's outperformance relative to the Morningstar 70%-85% Equity Allocation Funds for the second quarter of 2019?**

The Fund rose 3.44% for the quarter ended June 30, 2019, outperforming the Morningstar peer group's average return of 2.86%. In addition, the Fund ranks in the top decile (10% or better) for performance for the 1, 3, 5 and 15 year periods, and has outperformed the Morningstar peer group for each of the 1, 3, 5, 10 and 15 year periods ended June 30, 2019. Only four Funds out of 283 in the Morningstar category had top decile performance for the 1, 3, and 5 year periods.

We believe this relative long-term outperformance is due to our investment process of owning primarily high-quality, faster growing large companies in the Fund's equity portion.

**Q2: What were the Fund's top-performing sectors in the second quarter?**

During the second quarter, the Fund benefited the most from its positions in the Energy and Consumer Staples sectors.

The Energy sector was the largest contributor to the Fund's quarterly return. The Fund allocated almost 4% to Energy companies, compared to the S&P 500's weighting of 5%. However, the Fund's Energy holdings gained an average of 18% while the S&P 500's holdings in the sector lost 3% on average. The Fund's top Energy performers for the quarter were Anadarko Petroleum (+59%) and Diamondback Energy (+8%).

In the Consumer Staples sector, the Fund's holdings increased 12% on average, while the S&P's companies rose less than 4%. During the period, the Fund's weighting in Consumer Staples was approximately 50% less than the S&P's weighting of 7%. The Fund's Consumer Staples outperformers included Constellation Brands (+13%), a maker of beer, wine and spirits, and prestige cosmetics company Estee Lauder (+11%).

**Q3: What are the growth rates of the Fund's equity holdings versus the S&P 500?**

In the Fund's equity portfolio, we primarily own large-cap growth companies. These companies tend to have market-leading positions, compete in industries with high barriers to entry and often have secular growth drivers due to their unique products and services. With these enviable characteristics, we expect the companies we own to have significantly higher rates of sales and earnings growth compared to companies in the S&P 500.

As of June 30, 2019, the Fund's equity portion had a 3-year projected average sales growth rate of 18%, three times greater than the S&P's projected 6% average sales growth rate. In addition, the Fund's equity holdings, on average, had a 3- to 5-year estimated forward earnings growth rate of 20%, almost double the S&P's average rate of 12% as of the end of the second quarter.

**Q4: What are other differentiating factors for the Fund's equity allocation?**

In contrast to many balanced funds that must adhere to a fixed allocation regardless of market conditions, the Fund takes a flexible approach to capture relative opportunity. As of June 30, 2019, the Fund held approximately 84% in equities and 16% in fixed income and cash, compared to the Morningstar category average allocation of 77% in equities. Also, the Fund emphasizes growth companies. Less than 25% of the Fund's peers use a growth style in their equity selection. We believe these factors position the Fund well to capture long-term growth for our shareholders.

**Value Line Capital Appreciation Fund Performance (as of 6/30/19)**

|   | QTD         | Average Annual Returns |              |             |                   |             |
|---|-------------|------------------------|--------------|-------------|-------------------|-------------|
|   |             | 1 Year                 | 3 Year       | 5 Year      | 10 Year           | 15 Year     |
| <b>Investor - VALIX</b>   | <b>3.44</b> | <b>8.52</b>            | <b>15.09</b> | <b>9.27</b> | <b>10.69</b>      | <b>8.25</b> |
| <b>Institutional - VLIIX<sup>1</sup></b>  | <b>3.45</b> | <b>8.77</b>            | <b>15.35</b> | <b>9.29</b> | <b>10.70</b>      | <b>8.26</b> |
| 60/40 S&P 500/BbgBarc US Agg. Bond Index  | 3.96        | 9.87                   | 9.51         | 7.75        | 10.50             | 7.20        |
| Morningstar 70-85% Equity Allocation Cat. Avg.                                      | 2.86        | 4.23                   | 8.80         | 5.20        | 9.74              | 6.08        |
| <b>Percentile Rank in Morningstar Cat. - VALIX</b>                                  |             | <b>10</b>              | <b>1</b>     | <b>2</b>    | <b>21</b>         | <b>3</b>    |
| # of Funds in Category  |             | 345                    | 317          | 283         | 200               | 121         |
| Morningstar Return  |             |                        | <b>High</b>  | <b>High</b> | <b>Above Avg.</b> |             |
| VALIX Gross/Net Expense Ratio: 1.12%, VLIIX Gross/Net Expense Ratio*: 1.08% / 0.87% |             |                        |              |             |                   |             |

*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.*

\*EULAV Asset Management (the "Adviser") and EULAV Securities LLC, the Fund's principal underwriter (the "Distributor"), have agreed to permanently 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 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 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- and 5-year periods and 4 stars for the 10-year period ended 6/30/19 among 317, 283 and 200 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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