



### Overall Rating



(Investor)

Among 313 70-85% Equity  
Allocation Funds  
(as of 6/30/18)

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

### Fund Facts

#### Symbol

Investor VALIX  
Institutional VLIIX

#### Inception Date

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

#### Total Assets

\$465M  
(as of 6/30/18)

### Top Ten Holdings

Alexion Pharmaceuticals Inc	4.70%
Facebook Inc A	3.15%
Visa Inc Class A	3.15%
Activision Blizzard Inc	3.14%
Celgene Corp	2.75%
Alphabet Inc A	2.69%
Alibaba Group Holding Ltd ADR	2.53%
Tesaro Inc	2.50%
Amazon.com Inc	2.35%
Netflix Inc	2.07%

## Portfolio Manager Q&A

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

#### Q1: The Fund was the top performing fund over the past year among 344 Morningstar 70-85% Equity Allocation Funds as of June 30, 2018. What drove the Fund's outperformance in the second quarter?

The Fund rose 5.70%, nicely ahead of the Morningstar 70-85% Allocation peers gain of 1.64%. At quarter end, the Fund was comprised of approximately 85% in equities with the remaining portion in fixed income securities and cash, yet it still managed to outperform the S&P 500 Index's return of 3.43%.

The Fund's equity holdings were the driver of the Fund's gains this period, rising 6.8%, from a combination of good stock selection and sector allocation. The Fund was overweight positions in strong-performing sectors such as Technology and Consumer Discretionary and was underweight positions in the weaker-performing Industrials and Consumer Staples sectors.

The following were notable performers in the second quarter of 2018:

- In the **Consumer Discretionary** sector, the Fund's holdings gained 13% while the S&P's holdings in the sector rose 8%. Some top performers for the Fund were Vail Resorts (+24%), Netflix (+33%) and Tesla (+29%).
- The Fund's **Information Technology** holdings were up nearly 10% while the S&P's Technology stocks rose 7%. The Fund's top Technology performers included Activision Blizzard (+13%); Facebook (+22%) and Zendesk (+14%).
- The Fund's overweight allocation to the **Health Care** sector at 29% was more the double the S&P 500's Health Care weighting. This allocation was beneficial to results this period, as the Fund's Health Care positions rose 6% compared to a 3% rise in the Index. Some strong performers for the Fund in the second quarter included Exact Sciences (+48%), Alexion Pharmaceuticals (+11%) and Medidata Solutions (+28%).

While we are pleased that the Fund had a strong quarter and year, we encourage investors to focus on consistent results across various time frames. In fact, the Fund is the only fund (out of 93 peers) to garner top 5% or better Morningstar category returns for the 1-, 3-, 5-, 10- and 15-year periods ended June 30, 2018.

#### Q2: What characteristics do the equities in the Fund have in common?

Within the equity portfolio, we look to own a collection of faster growing, primarily larger-cap companies that we believe are well-positioned for longer-term growth. Many of these companies possess secular growth drivers, have market-leading positions or unique products and services, and operate in industries that have high barriers to entry. With these qualities, we expect many of the companies we own will be able to grow their sales at an annual rate of more than 10% and earnings at 15% or greater over the next few years. As of June 30, 2018, the Fund has a three-year projected sales growth rate of 17.0%, more than twice the projected growth of the S&P 500's at 7.6%. The Fund also had a three- to five-year estimated forward earnings growth rate of 21.7%, while the S&P 500's rate was 13.4% as of the end of the second quarter of 2018. Importantly, we anticipate these higher rates of sales and earnings growth over the Index could be a significant driver of the Fund's future outperformance.

**Q3: With imports and exports likely affected by tariffs, how might the Fund's growth stocks be impacted?**

While we believe that tariffs are generally negative for both businesses and end consumers, we are confident that the Fund's equity holdings are well positioned to continue growing at a fast pace due to their healthy growth fundamentals, leadership positions in their industries and the strong demand for their products and services. While the markets may be volatile in the short term because of trade policies, we remain focused on finding solid, growing companies that fit our investment criteria.

**Value Line Capital Appreciation Fund Performance (as of 6/30/18)**

	Average Annual Returns					
	QTD	1 Year	3 Year	5 Year	10 Year	15 Year
<b>Investor - VALIX</b>	<b>5.70%</b>	<b>17.59%</b>	<b>10.64%</b>	<b>10.88%</b>	<b>8.19%</b>	<b>8.93%</b>
<b>Institutional - VLIIX<sup>1</sup></b>	<b>5.78</b>	<b>17.88</b>	<b>10.57</b>	<b>10.84</b>	<b>8.17</b>	<b>8.92</b>
60/40 S&P 500/BbgBarc US Agg. Bond Index	1.99	8.34	7.88	8.97	7.84	7.30
Morningstar 70-85% Equity Allocation Cat. Avg.	1.64	8.46	6.38	7.97	6.27	7.14
<b>Percentile Rank in Morningstar Cat. - VALIX</b>		<b>1</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>1</b>
# of Funds in Category		344	313	274	199	93
Morningstar Return			<b>High</b>	<b>High</b>	<b>High</b>	
VALIX 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.*

<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 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 6/30/18 among 313, 274 and 199 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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