



**Overall Morningstar Rating**



(Investor)

Among 311 70-85% Equity Allocation Funds  
(as of 9/30/19)

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**

\$446M  
(as of 9/30/19)

**Top 10 Holdings**

(as of 9/30/19)

Amazon.com Inc	3.92
Amarin Corp PLC ADR	3.78
Alphabet Inc A	3.17
Facebook Inc A	3.01
Alexion Pharmaceuticals Inc	2.98
Visa Inc Class A	2.72
Exelixis Inc	2.39
Activision Blizzard Inc	2.21
Splunk Inc	2.07
GrubHub Inc	1.90

**Portfolio Manager Q&A**

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

**Q1: Would you please comment on the Fund's performance relative to its peers in the Morningstar 70-85% Equity Allocation category for the third quarter of 2019?**

For the quarter ended September 30, 2019, the Fund declined 6.47%, underperforming the Morningstar category average return of 0.53%. While we are never satisfied with negative returns, we believe it is important to keep long-term performance in mind. We are pleased that the Fund has outperformed its Morningstar category average over longer-term periods. In fact, the Fund's performance ranks in the **top decile (10% or better) of its category for the 3 and 5-year periods** ended September 30, 2019.

The third quarter was punctuated by increased volatility as the equity market underperformed fixed income. With respect to the Fund, both sector allocation and stock selection negatively impacted equity performance. The Fund's largest sector weighting was Health Care, with a nearly 27% allocation compared to the S&P 500 Index's average weight of 14%. The Fund's Health Care companies declined 14% on average during the quarter, compared to a loss of 2% for the Index's Health Care companies. The large decline in the Fund's Health Care holdings was due to our overweight allocation to biotechnology companies, which was one of the worst-performing industries in the Index this quarter. Despite the poor performance of some of our holdings, we remain bullish on their longer-term business prospects and we expect that share prices will recover over time.

The Fund's second-largest sector, Information Technology (IT), lost an average of 5%, underperforming the S&P's IT stocks' average gain of 3%. The Fund was negatively impacted by its stock selection, including Zendesk, Inc. (ZEN, -18%), Slack Technologies, Inc. (WORK, -23%) and by its underweight position in Apple, Inc. (AAPL +14%) relative to the Index.

**Q2: How was the Fund positioned with respect to equities and fixed income during the third quarter?**

For the Fund's equity portion, we own market leading companies that we believe are positioned to deliver above average growth in both sales and earnings over the longer term. We have the flexibility to adjust the Fund's asset allocation based on relative opportunity. As of September 30, 2019, the Fund held 84% in primarily growth-oriented stocks and 16% in high-quality fixed income and cash. Within the Morningstar 70-85% Equity Allocation category our equity weighting is toward the higher end of that range and has been so for the past few years.

**Q3: With your focus on primarily owning large-cap growth companies in the equity portion of the Fund, what are the estimated sales and earnings growth rates for the Fund's companies relative to the S&P 500?**

As of September 30, 2019, the Fund's companies had an estimated average 3-year sales growth rate of 19.5%, approximately 3 times the rate of the S&P 500 at 6.4%. The Fund's 3- to 5-year estimated forward earnings growth rate was 19.9%, almost double the Index's projected growth rate of 11.4%.

**Value Line Capital Appreciation Fund Performance (as of 9/30/19)**

	QTD	Average Annual Returns				
		1 Year	3 Year	5 Year	10 Year	15 Year
<b>Investor - VALIX</b>	<b>-6.47</b>	<b>-3.60</b>	<b>10.15</b>	<b>7.60</b>	<b>8.80</b>	<b>7.73</b>
<b>Institutional - VLIIX<sup>1</sup></b>	<b>-6.40</b>	<b>-3.33</b>	<b>10.42</b>	<b>7.63</b>	<b>8.81</b>	<b>7.74</b>
60/40 S&P 500/BbgBarc US Agg. Bond Index	1.96	7.10	9.32	8.00	9.59	7.33
Morningstar 70-85% Equity Allocation Cat. Avg.	0.53	1.08	7.36	5.48	7.82	6.15
<b>Percentile Rank in Morningstar Cat. - VALIX</b>		<b>93</b>	<b>4</b>	<b>10</b>	<b>34</b>	<b>10</b>
# of Funds in Category		339	311	278	198	123
Morningstar Return			<b>High</b>	<b>High</b>	<b>Average</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 9/30/19 among 311, 278 and 198 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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