



**Overall Morningstar Rating**



(Investor)

Among 310 70-85% Equity Allocation Funds  
(as of 9/30/20)

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**

\$572M  
(as of 9/30/20)

**Top 10 Holdings**

(as of 9/30/20)

Amazon.com Inc	4.10
Exelixis Inc	3.66
Alexion Pharmaceuticals Inc	2.78
Apple Inc	2.69
Facebook Inc A	2.67
Exact Sciences Corp	2.60
Biohaven Pharmaceutical Holding Co Ltd	2.58
Alphabet Inc A	2.17
PayPal Holdings Inc	1.91
ServiceNow Inc	1.83

**Portfolio Manager Q&A**

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

**Q1: Would you please comment on the Fund's performance relative to the Morningstar 70-85% Equity Allocation Funds category average in the third quarter and over longer periods?**

We are pleased the Fund increased 6.38% in the third quarter of 2020, outperforming the category average return of 5.68%. The Fund's overweight allocation to equities and underweight allocation to fixed income and cash was an important driver of returns this quarter, as equities outperformed fixed income returns.

Within the equity portion of the Fund, stock selection in Information Technology (IT) was the largest contributor to the Fund's performance for the quarter. The Fund had a 35% average IT weighting which exceeded the S&P 500 Index's average IT weight of 28%. The Fund's IT stocks rose an average of nearly 15%, outperforming the S&P 500 IT stocks' return of approximately 12%. Detracting from performance this quarter were the Fund's Health Care companies. In particular, the Fund's biotechnology companies, in which we held an overweight allocation, had a challenging quarter.

We are also pleased with the Fund's results over longer time periods. In fact, **the Fund's performance ranked #1 for the 1, 3, 5 and 15-year periods, and in the top 3% for the 10-year period**, among its Morningstar category peers as of September 30, 2020. **In addition, the Fund was the only balanced fund to outperform the S&P 500 Index over the past 1, 3 and 5-year periods** as of September 30, 2020, (out of 1,651 combined balanced funds in the 15-30%, 30-50%, 50-70% and 70-85% Morningstar Equity Allocation categories).

**Q2: Why should an Investor consider this balanced Fund?**

We believe the Fund offers investors a differentiated approach to balanced-fund investing. A few key characteristics include:

- 1. Flexible Asset Allocation:** The Fund is not tied to a rigid asset allocation and has the ability to dynamically adapt its allocation based on relative market opportunities and risks. As of September 30, 2020, the Fund held 82% in equities and 18% in fixed income and cash. The equity allocation was lower than last quarter end, when we ended June 30, 2020 with 85% in equities. During the third quarter we took advantage of stock market volatility and trimmed some equity positions. As a result, we slightly increased the Fund's fixed income and cash position as a tactical measure in anticipation of potentially greater volatility due to the upcoming election.
- 2. Growth Stock Emphasis:** The Fund's equity portfolio is more growth-oriented than its category peers. In fact, among the funds in the Morningstar 70-85% Equity Allocation category, fewer than 5% have a growth orientation for their equity portfolio. We believe that investing in leading growth companies can lead to better price appreciation as we believe that earnings growth is one of the primary drivers of stock prices over the longer term.

**Q3: Would you please describe the types of companies you own in the equity portfolio?**

Within the Fund's equity portfolio, we primarily own market leading companies that are well positioned to grow their sales and earnings over the next few years. Through our bottom-up investment process, we identify companies with strong projected future sales and earnings growth. We examine the strength and sustainability of the business models of these companies, with a preference of owning companies that are leaders in their industries, or are positioned to significantly grow their market share in the coming year and ones with innovative products and services.

*(Continued on next page)*

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

For example, a company we purchased earlier this year is Shopify (SHOP), best known for its cloud-based multi-channel commerce platform used by small- and medium-sized businesses around the world. Shopify has benefited from a surge in customer demand due to the uptick in online retail sales in 2020 and a shift away from in-store purchases. Also, in the third quarter, the Fund added Peloton (PTON), a leading home exercise company. The company has benefited by a large increase in demand for their exercise bikes due to the pandemic and we believe PTON will continue to benefit from more people working from home in the coming years.

As a result of our emphasis on investment in companies with healthy longer term growth, as of September 30, 2020, the Fund's 3-year projected average annual sales growth rate was 22.7%, over 3x times the estimated sales growth of the S&P 500 at 7.3%. The Fund's 3- to 5-year estimated forward earnings growth rate was 20.9%, nearly double the 12% rate projected for the S&P 500.

**Value Line Capital Appreciation Fund Performance (as of 9/30/20)**

	QTD	Average Annual Returns				
		1 Year	3 Year	5 Year	10 Year	15 Year
<b>Investor - VALIX</b>	<b>6.38%</b>	<b>30.56%</b>	<b>13.67%</b>	<b>14.11%</b>	<b>10.84%</b>	<b>8.50%</b>
<b>Institutional - VLIIX<sup>1</sup></b>	<b>6.48</b>	<b>30.88</b>	<b>13.96</b>	<b>14.19</b>	<b>10.88</b>	<b>8.53</b>
60/40 S&P 500/BbgBarc US Agg. Bond Index	5.64	12.50	9.84	10.37	9.85	7.59
Morningstar 70-85% Equity Allocation Cat. Avg.	5.68	4.51	4.57	7.31	7.30	5.51
<b>Percentile Rank in Morningstar Cat. - VALIX</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>1</b>
# of Funds in Category		325	310	279	190	131
Morningstar Return			<b>High</b>	<b>High</b>	<b>High</b>	
VALIX Gross/Net Expense Ratio: 1.09%, VLIIX Gross/Net Expense Ratio*: 0.97% / 0.84%						

*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-, 5- and 10-year periods ended 9/30/20 among 310, 279 and 190 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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