



**Overall Morningstar Rating**



(Investor)

Among 322 70-85% Equity Allocation Funds (as of 12/31/18)

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

**Fund Facts**

**Symbol**

Investor	VALIX
Institutional	VLIIX

**Inception Date**

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

**Total Assets**

\$399M (as of 12/31/18)

**Top 10 Holdings**

(as of 12/31/18)

Alexion Pharmaceuticals, Inc.	4.18%
Celgene Corp.	3.40%
Visa, Inc. Class A	3.10%
Alphabet, Inc. A	3.08%
Amazon.com, Inc.	3.03%
Exelixis, Inc.	2.68%
Activision Blizzard, Inc.	2.56%
Alibaba Group Holding Ltd. ADR	2.49%
Facebook, Inc. A	2.48%
Exact Sciences Corp.	2.13%

**Portfolio Manager Q&A**

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

**Q1: Would you please discuss the Fund's 2018 performance relative to its Morningstar 70-85% Equity Allocation Fund peer group?**

For the year ended December 31, 2018, the Fund declined 2.71% while the Morningstar peer group lost 7.93%. While we are never satisfied with negative absolute returns, we are pleased that the Fund outperformed the Morningstar 70-85% Equity Allocation category average by 522 basis points for the one-year period ended December 31, 2018. In fact, the Fund ranks in the top decile (10% or better) for performance for the 1, 3 and 5 year periods, and has outperformed the Morningstar peer group for each of the 1, 3, 5 and 10 year periods ended December 31, 2018.

We believe this relative outperformance is due to our investment process of owning faster growing companies with dominant market positions, secular growth drivers and strong management teams. Within the equity portion of the portfolio, the top three contributing sectors were Health Care, Information Technology and Industrials.

- » **Health Care** was the top performing sector in the S&P 500 Index in 2018. The Fund benefited from having an overweight position averaging 29%, which was nearly double the S&P 500 Index's weighting of approximately 15%. Some strong performers in this sector included Juno Therapeutic, a biopharmaceutical company (+88%), and Dexcom, a manufacturer of glucose monitoring systems (+109%).
- » The **Information Technology** sector was another stronger performer for the S&P Index, up over 3% in 2018. The Fund's technology holdings outperformed and rose nearly 10%. The top contributors were Zendesk, a customer service software company (+72%), and ServiceNow, a cloud computing company (+37%).
- » **Industrials** was a weaker performing sector for the S&P 500 with a decline of 13% over 2018. The Fund benefited from a combination of its underweight allocation of 1% compared to the Index weight of nearly 10% and better stock selection.

**Q2: How is the equity allocation of the Fund different from other balanced funds in its Morningstar category?**

The Fund's mandate allows the portfolio to be flexibly managed to capture relative opportunity, unlike other balanced funds that must adhere to a fixed allocation regardless of market conditions. As of December 31, 2018, the Fund held 84% in equities and 16% in fixed income and cash, compared to the Morningstar category average allocation of 76% in equities. In addition, less than 20% of the Fund's peers allocate primarily to large-cap growth companies. We believe that investing in faster growing large companies can provide greater appreciation potential over time and that equities remain attractive on a relative basis given the current interest rate environment and valuations.

### Q3: How does the Fund's equity portion compare to the S&P 500 with respect to their average sales and earnings growth rates?

While we have experienced considerable volatility during the final quarter of 2018, we believe it is important to remain committed to our investment approach of owning fundamentally strong, large-cap growth companies that possess unique products or services and compete in industries with high barriers to entry. As of December 31, 2018, the Fund's 3-year projected sales growth rate was 19%, more than double the 8% growth rate of the S&P 500. The Fund's 3- to 5-year estimated forward earnings growth rate was 21%, more than 1.5x the Index's projected growth rate of 13%.

#### Value Line Capital Appreciation Fund Performance (as of 12/31/18)

	Average Annual Returns					
	QTD	1 Year	3 Year	5 Year	10 Year	15 Year
<b>Investor - VALIX</b>	<b>-14.84%</b>	<b>-2.71%</b>	<b>7.40%</b>	<b>6.32%</b>	<b>9.25%</b>	<b>7.26%</b>
<b>Institutional - VLIIX<sup>1</sup></b>	<b>-14.83</b>	<b>-2.61</b>	<b>7.66</b>	<b>6.29</b>	<b>9.23</b>	<b>7.25</b>
60/40 S&P 500/BbgBarc US Agg. Bond Index	-7.56	-2.35	6.50	6.24	9.42	6.44
Morningstar 70-85% Equity Allocation Cat. Avg.	-11.43	-7.93	5.03	3.55	9.09	5.76
<b>Percentile Rank in Morningstar Cat. - VALIX</b>		<b>6</b>	<b>4</b>	<b>3</b>	<b>46</b>	<b>3</b>
# of Funds in Category		359	322	280	196	111
Morningstar Return			<b>High</b>	<b>High</b>	<b>Average</b>	
VALIX Gross/Net 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 4 stars for the 3-year period, 5 stars for the 5-year period, and 3 stars for the 10-year period ended 12/31/18 among 322, 280, and 196 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.**

Value Line, Value Line Logo, Timeliness, Safety are trademarks or registered trademarks of Value Line Inc. and/or its affiliates in the United States and other countries. Used by permission.