



Overall Morningstar Rating



(Investor)

Among 304 70-85% Equity Allocation Funds (as of 12/31/19)

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

\$460M
(as of 12/31/19)

Top 10 Holdings

(as of 12/31/19)

Amarin Corp PLC ADR	5.58
Amazon.com Inc	3.82
Facebook Inc A	2.73
Alphabet Inc A	2.62
Alexion Pharmaceuticals Inc	2.59
Intercept Pharmaceuticals Inc	2.48
Visa Inc Class A	2.45
Splunk Inc	2.22
Exact Sciences Corp	2.21
Activision Blizzard Inc	2.13

Portfolio Manager Q&A

Value Line Capital Appreciation Fund (VALIX/VLIIX)

Q1: Would you please discuss the Fund's performance relative to the Morningstar 70-85% Equity Allocation Category for the quarter and year ended December 31, 2019?

The Fund rose 11.43% in the fourth quarter, outperforming its Morningstar category average return of 6.12% by over 500 basis points. In addition, the Fund's 1-year return of 26.14% outperformed its Morningstar category average return by over 400 basis points. Importantly, the Fund has also outperformed over longer time frames, including the 3-, 5- and 10-year periods ending December 31, 2019.

Additionally, we are pleased that, relative to its Morningstar category peers, **the Fund has delivered top 5% or better performance for the 1-, 3-, 5- and 15-year periods** ended December 31, 2019 and was awarded a 5-star Overall rating by Morningstar. Impressively, the Fund was the only fund in the category (out of 119 funds) to accomplish this performance feat.

Q2: What factors have driven the Fund's outperformance in 2019?

One significant driver of the Fund's outperformance in 2019 was our equity allocation. Throughout the year, the Fund benefited from a stock allocation that was at the upper end of the 70-85% equity range. As of December 31, 2019, the Fund owned 84% in equities with an emphasis in the ownership of growth companies, with the remaining 16% of the Fund invested in high-quality fixed income and cash.

Within the equity portion, the Fund also benefited from stock selection in the Healthcare sector, with an average weight of 28%, double the S&P 500's Healthcare average weight of 14%. The Fund's Healthcare companies rose 34% on average in 2019, compared to the S&P's 21% return for the sector. Within the Healthcare sector, some strong performers for the Fund were Celgene Corporation (CELG, +47%), which develops medicines for cancer and inflammatory disorders and was acquired by Bristol-Myers Squibb; Dexcom (DXCM, +83%), a medical device company focused on treating patients with diabetes; and biotechnology company Amarin Corporation (AMRN, +58%).

Financials were the Fund's second-best contributing sector, with an average return of 56% compared to the S&P 500's Financials average 32% return. The Fund's top-contributing companies in this sector were Blackstone Group (BX, +96%), the asset management company; Bank of America (BAC, +46%), the multinational bank and financial services company; and JPMorgan Chase (JPM, +47%), the investment banking company. During the year, the Fund had an underweight position relative to the S&P 500 Financials sector with an average 5% weighting versus 13% for the Index.

Q3: How is the Fund different from other balanced funds?

We believe there are three significant ways our approach differs from other allocation funds.

- 1. Larger and more flexible equity allocation:** Compared to the typical allocation fund, which generally holds a static 60% weighting in equities and 40% in bonds and cash, the Fund can adjust its allocation within the 70-85% equity range based on relative opportunity. The Fund held 84% in equities as of December 31, 2019, as we saw greater opportunity in equities, especially given the low interest rate and low inflation backdrop.
- 2. Growth stock emphasis:** The Fund primarily owns growth companies within its equity portfolio, while many other allocation funds own value companies or a blend of value and growth companies. In fact, less than 20% of funds in the Morningstar peer group had a growth-oriented focus at the end of 2019.

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Value Line Capital Appreciation Fund (VALIX/VLIIX)

- 3. Ownership in market leading companies:** The Fund generally owns market leading companies that we believe are well-positioned for continued success as they tend to benefit from secular growth drivers, have unique products or services, and compete in industries with high barriers to entry. With our emphasis on longer term growth, the Fund's holdings are generally growing at a substantially faster pace in terms of revenue and earnings growth when compared to the companies in the S&P 500 Index. For example, the Fund's equity holdings had an estimated average 3-year revenue forward growth rate of 29%, which was over 4x the S&P 500's revenue growth rate of 7%, as of December 31, 2019. Also, the Fund's 3- to 5-year estimated forward earnings per share (EPS) growth rate was 19%, almost 2x the S&P's 11% EPS growth rate at year end.

Value Line Capital Appreciation Fund Performance (as of 12/31/19)

	Average Annual Returns					
	QTD	1 Year	3 Year	5 Year	10 Year	15 Year
Investor - VALIX	11.43%	26.14%	14.98%	9.15%	9.52%	7.97%
Institutional - VLIIX¹	11.46	26.51	15.27	9.18	9.54	7.98
60/40 S&P 500/BbgBarc US Agg. Bond Index	5.46	22.18	10.87	8.37	9.77	7.30
Morningstar 70-85% Equity Allocation Cat. Avg.	6.12	21.35	9.16	6.54	8.44	6.31
Percentile Rank in Morningstar Cat. - VALIX		5	1	4	18	3
# of Funds in Category		334	304	273	193	119
Morningstar Return			High	High	Above Avg.	
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.

¹*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 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. 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 12/31/19 among 304, 273 and 193 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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