



Overall  Rating



(Investor)

Among 352 70-85% Equity Allocation Funds (as of 12/31/16)

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

- Nearly 20 years of experience
- Fund manager since 2014
- MBA - Fordham University
- BS - Fordham University



Stephen E. Grant

- Over 20 years of experience
- Fund manager since 2014
- MBA - Wharton
- BA - Stanford University



Liane Rosenberg

- Over 20 years of experience
- Fund manager since 2009
- MBA - Fordham University
- BA - State University of New York at Albany

Portfolio Manager Q&A

Value Line Income and Growth Fund (VALIX/VLIIX)

Q1: The Fund has a flexible allocation mandate. What was the asset allocation breakdown among equity, fixed income and cash at year end?

The Fund's allocation to equities was approximately 84% and the balance of roughly 16% was invested in fixed income and cash as of December 31, 2016. In the current environment, we continue to favor equities over fixed income. We see greater total return potential for equities in 2017 driven by an improving economy and the potential for higher earnings growth driven by corporate tax reform and less regulation. In addition, the Federal Reserve expects to raise interest rates in 2017 which could limit the total return of the Fund's fixed income holdings.

Q2: How has the Fund performed compared to its peers over the fourth quarter?

Following a strong third quarter when the Fund outperformed the Morningstar 70-85% Equity Allocation Funds Category by over 300 basis points, the Fund lagged the Category in the fourth quarter. The equity portion of the Fund was primarily invested in large-cap growth companies, an area of the market that was largely out-of-favor during the quarter. Growth sectors such as Information Technology and Health Care underperformed the benchmark and hurt overall performance, as the Fund was overweight these growth sectors.

Following the U.S. election, investors quickly rotated out of growth stocks and into the more cyclical sectors of the market such as Financials, Industrials and Materials. For instance, Facebook, one of the top holdings in the Fund, traded off more than 10% during the quarter, despite having very strong business fundamentals and an attractive valuation.

Q3: Would you please discuss significant merger or acquisition (M&A) activity in the Fund during 2016?

With low interest rates and high levels of cash on the balance sheets of many large Technology and Health Care companies, we anticipated M&A activity would remain high. During 2016, the Fund's performance benefited from three holdings that agreed to be acquired. LinkedIn was purchased by Microsoft for \$26 billion, a 50% premium. Pfizer beat out other suitors in the \$14 billion cash purchase of biotechnology firm, Medivation, which saw its shares up 68% in the Fund for the year. Lastly, NXP Semiconductor agreed to be acquired at \$39 billion from Qualcomm.

Q4: Would you please discuss the fixed income portfolio and how it is structured for a rising rate environment?

Over the fourth quarter, the Fund's fixed income portfolio outperformed the benchmark Bloomberg Barclays Aggregate Bond Index by 27 basis points primarily due to its significant

Fund Facts

Symbol

Investor VALIX
Institutional VLIIX

Inception Date

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

Total Assets

\$320M
(as of 12/31/16)

(Q4 continued)

underweight in U.S. Treasuries, which was the worst performing sector for the period. For example, longer-term Treasuries suffered a 12% decline, the worst performing sector in the Bloomberg-Barclays Aggregate Index for the quarter.

Furthermore, corporate bonds performed strongly during the quarter, and the Fund's high yield allocation was a significant contributor to the fixed income outperformance. The Fund had an approximate 7% allocation in high yield bonds, while the benchmark holds no high yield securities. Lastly, the Fund's duration was shorter than the Index by 0.25 years, which was beneficial during this period of rising rates.

Value Line Income and Growth Fund Performance (as of 12/31/16)

	Average Annual Returns			
	1 Year	3 Year	5 Year	10 Year
Investor - VALIX	2.79%	4.11%	8.33%	5.46%
Institutional - VLIIX¹	3.06	3.87	8.18	5.39
60/40 S&P 500/BbgBarc US Agg. Bond Index	8.24	6.53	9.69	5.91
Morningstar 70-85% Equity Allocation Cat. Avg.	7.93	3.50	8.80	4.22
Morningstar Category Rank (%) - VALIX	94	31	67	11
# of Funds in Category	406	352	293	210
Morningstar Return		Above Avg.	Average	Above Avg.
VALIX Expense Ratio: 1.15%, VLIIX Gross/Net Expense Ratio*: 6.19%/0.90%				

Morningstar Ratings and Categories based on risk adjusted returns of Investor class shares.

¹*Represents the performance of the Institutional Class shares after November 1, 2015 (inception of the share class) and Investor Class for periods prior to that date.*

*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) during the period March 17, 2016 through June 30, 2017 (the "Expense Limitation"). The Adviser and the Distributor may subsequently recover from the Fund 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 Fund's expense ratio is less than the Expense Limitation. The Expense Limitation can be terminated or modified before June 30, 2017 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.

As of December 31, 2016, the Fund's Top 10 Holdings were as follows: Celgene Corp. (3.12%), Activision Blizzard, Inc. (3.06%), Facebook, Inc. (3.03%), Edwards Lifesciences Corp. (2.59%), Alexion Pharmaceuticals, Inc. (2.46%), JPMorgan Chase & Co. (2.42%), Visa, Inc. (2.31%), Bank of America Corp. (2.15%), Citigroup, Inc. (2.05%), Alphabet, Inc. (2.04%).

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 3 stars for the 3 and 5-year periods and 5 stars for the 10-year period ended 12/31/16 among 352, 293 and 210 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.

The inception dates of Value Line Mutual Funds range from 1950 to 2016. **Value Line Mutual Funds are distributed by EULAV Securities, LLC. Past performance is no guarantee of future results.**

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