



**Income and Growth Fund**

Overall **MORNINGSTAR** Rating



Among 787 Moderate Allocation Funds (as of 3/31/15)

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

**Fund Facts**

Symbol: VALIX  
Inception date: 10/01/52  
Total assets: \$389M  
(as of 3/31/15)

**Portfolio Manager Q&A**

**Value Line Income and Growth Fund (VALIX)**

**Q1: With approximately 80% of companies in the S&P 500 Index posting positive returns in 2014, what are your expectations for equities over 2015?**

Based on an improving domestic economy and our belief that valuations are not over-stretched, we believe that 2015 will be another positive year for the U.S. equity market. However, returns may be less broad-based and primarily driven by company-specific fundamentals and earnings growth.

It is notable that after several years of low market volatility, we have seen renewed turbulence in 2015. This higher level of volatility may continue as the market digests the possibility of an interest rate hike, oil price instability, a stronger dollar and the unfolding financial situation in Greece.

Furthermore, any market downdrafts this year are likely to be short-lived and should not impact the longer term upward trajectory of the U.S. equity markets. In fact, we view these pullbacks as an opportunity to buy high-quality companies at lower prices.

**Q2: How does your economic outlook affect the allocation of the Value Line Income and Growth Fund?**

We are optimistic on the U.S. economy, as the pace of improvement seems to be accelerating, including higher GDP growth, job creation and strong consumer confidence. In addition, we believe the continued low inflation and interest rate environment still favors equities at this point in the cycle, especially with a likely interest rate hike in 2015. Our positive view is reflected in the Fund's 77% equity allocation as of March 31, 2015.

**We are bottom-up, longer-term focused investors with a bias toward fundamentally solid companies with easy-to-understand business models.**

The Fund's asset allocation is flexible in nature, with a historical operating equity range that can vary from a low of 50% to a high of 80%, allowing us to tactically shift asset class allocations based on market fundamentals. We believe this flexibility gives the Fund a competitive advantage over many traditional balanced funds that are mandated to hold a static 60%/40% allocation of equities to fixed income.

**Q3: Would you discuss the characteristics of the companies in the portfolio?**

We are bottom-up, longer-term focused investors with a bias toward fundamentally solid companies with easy-to-understand business models. We have recently increased our exposure to more secular growth companies over cyclical growth, adding to the Fund's positions in the Consumer Discretionary, Technology and Health Care Sectors. Consumer Discretionary stocks appear well positioned as they should benefit from the lower price of oil, the strengthening U.S. economy and an improved job market. We believe Health Care stocks have attractive longer-term trends including an aging population, increased coverage rates due to the Affordable Care Act and rising living standards around the world.

*(continued on next page)*



**Q4: The Fund has an income emphasis. Why are dividends important to your selection process?**

Historically, dividends have been a significant driver of the market's total return, accounting for nearly 35% of the S&P 500's return over time. In addition, dividends return capital to shareholders and can reduce the Fund's volatility.

While the majority of the Fund's equity holdings pay a dividend, it is important to understand that we don't necessarily buy the highest dividend payers. Rather, we analyze company fundamentals to ensure they can deliver on future sales and earnings growth, as this strength may enable them to increase dividends and payout ratios over time. Relative to the S&P 500, the Fund's equity holdings are projected to grow sales over the next three years at an annualized rate of nearly 8.0%, compared to 5.2% for companies in the S&P. On an earnings basis, the Fund's projected three- to five-year annualized earnings growth rate is 13.2% versus 10.8% for the Index.

With respect to the Fund's fixed income portion, we believe rates may increase modestly in 2015. Therefore, we continue to emphasize high-quality, investment-grade fixed income securities which include corporate securities and government obligations.

Value Line Income and Growth Fund Performance (as of 3/31/15)				
	Average Annual Returns			
	1 Year	3 Year	5 Year	10 Year
<b>Income and Growth Fund (VALIX)</b>	<b>10.48%</b>	<b>11.97%</b>	<b>9.56%</b>	<b>7.58%</b>
60/40 S&P 500/Barclays U.S. Aggregate Bond	9.93	10.91	10.44	6.77
Morningstar Moderate Allocation Cat. Avg.	6.19	9.45	8.97	6.26
<b>Morningstar Category Rank (%)</b>	<b>4</b>	<b>6</b>	<b>33</b>	<b>9</b>
# of Funds in Category	915	787	697	444
Morningstar Return		<b>High</b>	<b>Above Avg.</b>	<b>Above Avg.</b>
Morningstar Risk		<b>Average</b>	<b>Below Avg.</b>	<b>Below Avg.</b>
Expense Ratio: 1.16%				

*Morningstar rates funds based on enhanced Morningstar risk-adjusted returns.*

**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 methodology rates funds based on an enhanced Morningstar Risk-Adjusted Return measure, which also accounts for the effects of all sales charges, loads, or redemption fees. Funds are ranked by their Morningstar Risk-Adjusted Return scores and stars are assigned using the following scale: 5 stars for top 10%; 4 stars next 22.5%; 3 stars next 35%; 2 stars next 22.5%; 1 star for bottom 10%. Funds are rated for up to three periods: the trailing three-, five-, and 10-years. For a fund that does not change categories during the evaluation period, the overall rating is calculated using the following weights: At least 3 years, but less than 5 years uses 100% three-year rating. At least 5 years but less than 10 years uses 60% five-year rating / 40% three-year rating. At least 10 years uses 50% ten-year rating / 30% five-year rating / 20% three-year rating. The Value Line Asset Allocation Fund received 4 stars for the 3- year period, 5 stars for the 5-year period and 4 stars for the 10-year period ended 3/31/15 among 349, 310 and 198 Aggressive Allocation funds, respectively. The Value Line Income and Growth Fund received 5 stars for the 3-year period, and 4 stars for the 5- and 10-year periods among 787, 697 and 444 Moderate Allocation Funds respectively, for the period ended 3/31/15.

*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 1993. **Value Line Mutual Funds are distributed by EULAV Securities, LLC. Past performance is no guarantee of future results.**

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.