



Overall **MORNINGSTAR** Rating



(Investor)

Among 1,277 Large Growth Allocation Funds (as of 6/30/17)

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.



**Cindy Starke**  
Portfolio Manager

Ms. Starke has over 20 years of investment experience. She earned a BS and an MBA from Fordham University.

**Fund Facts**

**Symbol**

Investor VALLX  
Institutional VLLIX

**Inception Dates**

Investor 3/20/72  
Institutional 11/1/15

**Total Assets**

\$252M  
(as of 6/30/17)

**Top 10 Holdings** (as of 6/30/17)

Company	Weight
Alexion Pharmaceuticals	7.6%
Activision Blizzard	5.4%
Facebook	5.2%
Alphabet	4.8%
Amazon.com	4.8%
Celgene Corp.	4.7%
Visa	3.9%
Vertex Pharmaceuticals	3.7%
Jazz Pharmaceuticals Plc	3.5%
Alibaba Group ADR	3.3%

**Portfolio Manager Q&A**

**Value Line Larger Companies Focused Fund (VALLX/VLLIX)**

**Q1: With a return of 7.93% for the second quarter of 2017, the Fund outperformed the S&P 500 Index by nearly 500 basis points, more than double the Index's return. What drove this outperformance?**

We are pleased that the Fund's outperformance continued in the second quarter. The Fund's results were due to being overweight in strong performing sectors and effective stock selection. Primarily, the Fund's holdings in the following overweighted sectors drove the outperformance in the second quarter:

- 1. Information Technology.** The Fund had an average weighting of approximately 36% compared to the S&P 500 Index's weighting of 23%. The Fund's Technology holdings appreciated 12% on average, well ahead of the S&P 500 Information Technology sector's increase of 4%. We saw broad-based strength in most of the Fund's IT holdings and a few stand out performers included Activision, Alibaba, GrubHub and PayPal.
- 2. Health Care.** The Fund had an average weighting of 32%, significantly higher than the S&P 500's at 14%. The Health Care Sector was the strongest performer in the Index this period, rising over 7%. The Fund's Health Care holdings outperformed, rising 9%, helped by strong performances from Edwards Lifesciences, Kite Pharma, Medidata Solutions and Vertex Pharmaceuticals.

Importantly, since the transition to a "best ideas" strategy in 2014, the Fund has outperformed its peers. In fact, as of June 30, 2017, the Fund had top decile performance in the Morningstar Large Growth Funds Category over the 1- and 3-year periods.

**Q2: With the Fund's limited number of holdings, what qualities do you look for in large growth companies?**

We look to own between 25 and 50 leading growth companies that we believe are well-positioned for continued success and are usually supported by secular growth drivers. We are attracted to companies that have unique products or services, compete in industries with high barriers to entry, and have market-leading positions. We tend to favor companies with high rates of sustainable sales and earnings growth. Therefore many of the Fund's companies tend to experience higher growth than their peers and regularly beat analysts' expectations on both earnings and sales growth. As of June 30, 2017, the Fund had a 3- to 5-year estimated average earnings growth rate of 28% versus 12% for the S&P 500 Index and an estimated average 3-year sales growth of 24% versus 6% for the Index.

One example of a fast-growing company that was recently purchased in the Fund is Exact Sciences (EXAS). Exact Sciences is a medtech company best known for its unique product, Cologuard, which is a non-invasive DNA screening test to detect colorectal cancer and precancer. Due to its ease of use relative to a traditional colonoscopy, we anticipate the company's sales will grow at a rapid pace in the coming years.

### Q3: Two Fund holdings were acquired earlier this year. What is your perspective on continued merger and acquisition activity (M&A)?

We anticipate M&A activity will accelerate when there is more certainty regarding U.S. tax policy changes. With many large companies holding excess cash, we see numerous takeover opportunities in the Consumer Discretionary, Health Care and Technology sectors. While the Fund has benefited from past M&A activity, it is not a consideration when purchasing companies. We seek to own leading, fast-growing businesses; by nature, those attributes make some of our holdings attractive acquisition candidates.

#### Value Line Larger Companies Focused Fund Performance (as of 6/30/17)

	QTD	Average Annual Returns			
		1 Year	3 Year	5 Year	10 Year
<b>Investor - VALLX</b>	<b>7.93%</b>	<b>26.97%</b>	<b>12.60%</b>	<b>15.81%</b>	<b>7.00%</b>
<b>Institutional - VLLIX<sup>1</sup></b>	<b>7.94</b>	<b>27.16</b>	<b>12.58</b>	<b>15.80</b>	<b>7.00</b>
S&P 500 Index	3.09	17.90	9.61	14.63	7.18
Morningstar Large Growth Category Average	5.01	20.02	8.80	13.87	7.51
<b>Morningstar Category Rank (%) - VALLX</b>		<b>8</b>	<b>5</b>	<b>12</b>	<b>64</b>
# of Funds in Category		1424	1277	1152	803
VALLX Gross/Net Expense Ratio*: 1.23% / 1.15%, VLLIX Gross/Net Expense Ratio*: 17.29%/0.90%					

*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 VLLIX is November 1, 2015.*

\*EULAV Asset Management (the "Adviser") has contractually agreed to waive certain Fund-wide fees and further assume certain Fund-wide expenses to the extent necessary to limit such expenses (excluding brokerage commissions, interest, taxes, and certain non-routine Fund-wide expenses) to 0.90% of the average daily net assets of each class during the period August 1, 2017 to June 30, 2019. In addition, the Adviser and EULAV Securities LLC (the "Distributor") have contractually agreed to waive certain class-specific fees and assume certain class-specific expenses 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 fee and certain non-routine class-specific expenses) during the period March 17, 2016 through June 30, 2019. The "Expense Limitation" can be terminated or modified before June 30, 2019 only with the agreement of the Fund's board. The Adviser and the Distributor may subsequently recover from a class any fees waived and expenses assumed within three years after the fiscal year end in which the waiver or assumption occurred for such class, to the extent its expense ratio is less than the applicable Expense Limitation. 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 [vlfunds.com](http://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-year period, 4 stars for the 5-year period and 3 stars for the 10-year period ended 6/30/17 among 1277, 1152 and 803 large growth funds, respectively.

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