



Overall **MORNINGSTAR** Rating



(Investor)

Among 1,216 Large Growth Allocation Funds (as of 12/31/17)

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 \$274M
(as of 12/31/17)

Top 10 Holdings (as of 12/31/17)

Company	Weight
Alexion Pharmaceuticals	6.98%
Facebook	5.92%
Activision Blizzard	5.54%
Amazon.com	5.29%
Alphabet	4.99%
Visa	4.37%
Celgene Corp	4.00%
Alibaba Group ADR	3.90%
Vertex Pharmaceuticals	3.83%
PayPal	3.14%

Portfolio Manager Q&A

Value Line Larger Companies Focused Fund (VALLX/VLLIX)

Q1: In 2017, the Fund outperformed the S&P 500 Index by nearly 1200 basis points. What drove this outperformance?

Investors were rewarded with a one-year return of 33.79% versus the 21.83% return of the S&P 500 Index. Since becoming a focused, "best ideas" portfolio over three years ago, the Fund has outperformed its Morningstar peer group. In fact, **the Fund placed in the top 15% in performance among 1,363 and 1,216 Morningstar Large Growth Funds for the 1- and 3-year periods as of December 31, 2017, respectively.**

The Fund's strong one-year performance was primarily driven by good stock selection and its overweight allocation to innovative companies in Information Technology, which was the S&P 500's best performing sector for 2017. During 2017, the Fund had an average weighting of approximately 37% in the Information Technology sector as compared to the sector's 23% weighting in the S&P 500 Index. For the one-year period, the Fund's Technology holdings rose, on average, approximately 58%, well ahead of the S&P 500 Technology sector's increase of approximately 39%. Many of the Fund's holdings in this sector were strong performers including Activision Blizzard (+76%), Alibaba (+96%) and PayPal (+87%).

Besides the strength in the IT sector, the Fund benefitted from both stock selection and underweight allocations to the Consumer Staples and Energy sectors:

- **Consumer Staples.** Staples was a relatively weak performing sector as compared to the broader market, returning approximately 13%. While the Fund's 5% weighting was approximately half the S&P's, very favorable stock selection in this sector resulted in our holdings experiencing, on average, a 52% increase in 2017.
- **Energy.** While the S&P Energy sector was off 1% for the year, the Fund's holdings produced an average return of approximately 10%. In addition, the Fund had an underweight position in the Energy sector of approximately 3% compared to the S&P's 6% weighting.

Q2: The S&P 500 Index produced positive returns in all 12 months of 2017 and experienced abnormally low volatility. How did these market events impact your investment decision-making?

We are always scouring the large-cap universe for high-quality, faster growing companies at attractive entry points regardless of the investment climate. Despite the overall lack of market volatility, there were ample situations within industries or sectors when select companies experienced a stock price decline, providing opportunities to establish new positions or make changes to the portfolio.

Q3: With your focus on owning fast growing companies in the Fund, what is the Fund's average sales and earnings growth rate relative to the S&P 500?

As of December 31, 2017, the Fund's 3-year projected sales growth rate was 25%, more than three times the rate of the S&P 500 at 7%. The Fund's 3- to 5-year estimated forward earnings growth rate was 26%, more than twice the Index's projected growth rate of 12%.

Value Line Larger Companies Focused Fund Performance (as of 12/31/17)

	Average Annual Returns				
	QTD	1 Year	3 Year	5 Year	10 Year
Investor - VALLX	1.75%	33.79%	13.80%	16.59%	7.43%
Institutional - VLLIX¹	1.74	33.96	13.81	16.60	7.43
S&P 500 Index	6.64	21.83	11.41	15.79	8.50
Morningstar Large Growth Category Average	6.44	27.67	11.06	15.29	8.31
Morningstar Category Rank (%) - VALLX		15	14	27	72
# of Funds in Category		1363	1216	1109	787
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.

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 VLLIX is November 1, 2015.*

*EULAV Asset Management (the "Adviser") 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. 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 fees and certain non-routine class-specific expenses). The information in the table has been restated to reflect the applicable expense limitation for a class ("Expense Limitation"), each of which 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 or, if lower, the expense limitation in effect when the waiver or assumption occurred. 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 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 4 stars for the 3-year period, 3 stars for the 5- and 10-year period ended 12/31/17 among 1216, 1109 and 787 large growth funds, respectively.

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