



Overall Rating



(Investor)

Among 1,247 Large Growth Funds
(as of 12/31/18)

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

\$255M
(as of 12/31/18)

Top 10 Holdings (as of 12/31/18)

Company	Weight
Amazon.com, Inc.	6.07%
Visa, Inc. Class A	4.92%
Activision Blizzard, Inc.	4.11%
Alphabet, Inc. A	3.98%
Facebook, Inc. A	3.96%
PayPal Holdings, Inc.	3.86%
Alexion Pharmaceuticals, Inc.	3.86%
Alibaba Group Holding Ltd. ADR	3.61%
Netflix, Inc.	3.57%
Exelixis, Inc.	3.55%

Portfolio Manager Q&A

Value Line Larger Companies Focused Fund (VALLX/VLLIX)

Q1: In 2018, few equity mutual funds had positive returns. How did the Fund's performance compare to the S&P 500 Index and peers?

We are pleased the Fund posted a positive return as only 7% of the 3,388 Morningstar equity funds rose in value in 2018. The Fund outperformed its benchmark and peer group and increased 1.30%, while the S&P 500 Index lost 4.38%, and the Morningstar Large Growth Category average declined 2.09%. In what ended as a tough year for U.S. equities, we saw fundamentally strong growth companies, especially companies well positioned for future sales and earnings growth, outperformed the market.

Relative to the S&P 500, the Fund's outperformance was driven by favorable sector allocation and stock selection. The Fund's top two contributing sectors were Information Technology and Health Care.

Information Technology was one of the top performing sectors in the S&P 500 Index in 2018. For the one-year period, the Fund's IT holdings increased an average of 16%, significantly ahead of the S&P's Technology sector's return of 3%. Many of the Fund's Technology holdings had strong performances in 2018, including Zendesk, a customer service software company (+72%); ServiceNow, a cloud computing company (+37%); and Salesforce.com Inc., a leading provider of customer relationship software (+34%).

Health Care was the top performing sector in the S&P 500 Index in 2018, up over 6%. The Fund benefited from having an overweight allocation to health care stocks, averaging 30%, which was double the S&P 500 Index's weighting of approximately 15%. Some strong performers included Juno Therapeutics, a biopharmaceutical company (+88%); Dexcom, a manufacturer of glucose monitoring systems (+109%); and Intercept Pharmaceuticals, a biopharmaceutical company (+73%).

Q2: How did the volatile fourth quarter affect your investment decision-making?

The S&P 500's monthly loss of 9% in December was the worst December decline since 1931. Throughout the fourth quarter, the daily moves of many individual companies appeared severe and unwarranted. Despite this heightened volatility, we remained steadfast in our strategy of investing in solid growth companies with healthy fundamentals, leadership positions in their respective industries and strong demand for their products and services as we believe companies with these qualities will continue to be rewarded by investors over time. During this period, we took advantage of this mispricing by adding to existing Fund positions and we also initiated some new positions at attractive entry points.

With the sell-off in the U.S. equities in 2018, at year end the S&P 500 looked attractively valued at 14.6 times its forward P/E ratio. Regardless of how the market performs in 2019, we believe sales and earnings growth will be the primary drivers of share prices over the longer term. As a result of focusing on fast-growing companies, the Fund's holdings had an estimated average 3-year sales growth of approximately 22%, nearly three times greater than the S&P 500's 8% sales growth rate as of December 31, 2018. The Fund also had a 3- to 5-year estimated average earnings per share growth rate of about 24% versus 13% for the Index. With these faster growth rates, we believe the Fund should outperform the market over longer time periods.

Q3: What differentiates the Fund from other large growth funds?

Many large growth funds tend to mimic the S&P 500, holding hundreds of stocks in their portfolios. The Value Line Larger Companies Fund is a focused or “best ideas” portfolio that seeks to own high-quality, faster growing larger companies at attractive entry points regardless of the investment climate. While the Fund generally holds 25 to 50 companies, as of December 31, 2018, the Fund held 43 stocks. In addition, the Fund’s top 10 holdings tend to make up approximately 50% of the portfolio weighting. With a limited number of holdings and more capital allocated to our highest conviction ideas, we believe the Fund is an excellent complement to the S&P 500 Index and better positioned to outperform its Morningstar Large Growth peers over time.

Value Line Larger Companies Focused Fund Performance (as of 12/31/18)

	QTD	Average Annual Returns			
		1 Year	3 Year	5 Year	10 Year
Investor - VALLX	-17.27%	1.30%	10.76%	10.91%	12.86%
Institutional - VLLIX¹	-17.20	1.55	10.95	10.97	12.89
S&P 500 Index	-13.52	-4.38	9.26	8.49	13.12
Morningstar Large Growth Category Average	-15.43	-2.09	8.98	8.16	13.74
Percentile Rank in Morningstar Cat. - VALLX		18	23	10	69
# of Funds in Category		1405	1247	1107	799
VALLX Gross/Net Expense Ratio*: 1.19% / 1.15%, VLLIX Gross/Net Expense Ratio*: 2.73%/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 3 stars for the 3-year period, 4 stars for the 5-year period, and 2 stars for the 10-year period ended 12/31/18 among 1,247, 1,107 and 799 large growth funds, respectively.

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