



### Overall **MORNINGSTAR** Rating



(Investor)

Among 1,482 Large Growth Allocation Funds (as of 9/30/16)

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.



**Cindy Starke**  
*Portfolio Manager*

Ms. Starke has nearly 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** \$232M  
*(as of 9/30/16)*

### Top 10 Holdings *(as of 9/30/16)*

Company	Weight (%)
Facebook, Inc.	5.5%
Alphabet, Inc.	5.2%
Amazon.com, Inc.	4.9%
Celgene Corp.	4.8%
Activision Blizzard, Inc.	4.8%
Alexion Pharmaceuticals, Inc.	4.5%
Edwards Lifesciences Corp.	3.8%
Visa, Inc.	3.7%
Starbucks Corp.	3.7%
Vertex Pharmaceuticals, Inc.	3.3%

## Portfolio Manager Q&A

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

**Q1: For the third quarter ended September 30, 2016, the Fund increased nearly 10%, outperforming the S&P 500 Index and the Morningstar Large Cap Growth Funds Category by over 600 and 400 basis points, respectively. Would you please discuss what contributed to this outperformance?**

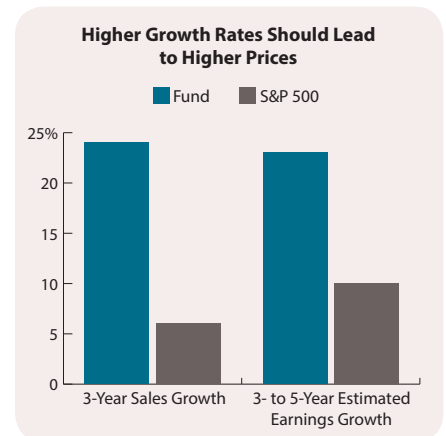
Stock selection was the key driver of the Fund's outperformance. Strong performance from our Health Care holdings was the main contributor. The Fund's Health Care holdings returned over 14%, while the sector only rose 1% for the S&P 500 Index. Medivation, one of the Fund's largest holdings during the period, was up 35% on Pfizer's purchase of the company for \$14 billion in cash. The Fund also had sizable returns from stakes in other Health Care companies, including Edwards Lifesciences and Biogen, which both increased over 20% during the quarter.

The Technology sector was the big winner in the S&P 500 Index this quarter, rising nearly 13%. The Fund's overweight allocation to this sector (33%) versus the Index (21%) was another important contributor. The Fund experienced broad-based strength in its Technology positions, with Alibaba, GrubHub, Facebook, and NXP Semiconductors all rising by double digits.

**Q2: Would you please describe your investment philosophy when selecting large-cap growth companies and touch on the Fund's sales and earnings growth rates?**

Our investment philosophy is grounded in the belief that earnings growth is the primary driver of stock prices over the longer term. We look to own 30 to 50 leading large-cap companies that are positioned to grow both sales and earnings at a faster pace than the market and their peers. Many of these companies are found in faster growing sectors of the market, such as Information Technology, Health Care and Consumer Discretionary, and the Fund often has little-to-no exposure to slower growing sectors such as Energy or Utilities. The Fund's holdings are usually driven by secular growth opportunities, rather than cyclical performance, so they are less dependent on the economic environment and more driven by their in-demand brands and unique products and services.

As of September 30, 2016, the Fund's estimated 3-year sales growth rate was approximately 24%, significantly faster than the 6% sales growth expected for the S&P 500 Index. The Fund's 3- to 5-year estimated earnings growth rate was 23%; more than double the approximately 10% earnings growth expected for the S&P 500 over the same timeframe.



**Q3: Would you please briefly describe a few of the Fund's top holdings?**

The Fund's top holding is Facebook, the world's leading social network with over 1.7 billion active monthly users. We believe Facebook is well positioned, as its core advertising business continues to grow swiftly and the company monetizes its other products including Instagram

and WhatsApp. Facebook's profitable business model and market leadership position should enable the company to continue growing its sales and earnings at attractive rates of over 30% during the next few years. Additionally, Facebook is trading at 27 times next twelve month earnings as of September 30, 2016, which we feel is reasonable when considering their very strong growth profile and dominant market position.

Activision Blizzard, a leading developer and publisher of best-selling entertainment software games including Call of Duty, World of Warcraft, Skylanders and Candy Crush, is another top holding in the Fund. Like Facebook, Activision has a large and engaged customer base of over 500 million monthly active users. We expect margins will continue to expand in the coming years as gamers digitally download more games onto their mobile devices, which is more profitable for the company than consumers buying physical discs. We believe Activision can grow its sales at 15% and earnings at 20% in the coming years which should bode well for continued appreciation in its share price over time.

#### Value Line Larger Companies Focused Fund Performance (as of 9/30/16)

	QTD	Average Annual Returns			
		1 Year	3 Year	5 Year	10 Year
<b>Investor - VALLX</b>	<b>9.96%</b>	<b>16.08%</b>	<b>12.99%</b>	<b>16.48%</b>	<b>7.10%</b>
<b>Institutional - VLLIX<sup>1</sup></b>	<b>10.02</b>	<b>15.92</b>	<b>12.94</b>	<b>16.44</b>	<b>7.08</b>
S&P 500 Index	3.85	15.43	11.16	16.37	7.24
Morningstar Large Growth Category Average	5.59	10.46	9.23	14.98	7.52
<b>Morningstar Category Rank (%) - VALLX</b>		<b>4</b>	<b>4</b>	<b>19</b>	<b>63</b>
# of Funds in Category		1629	1482	1285	924
Morningstar Return			<b>High</b>	<b>Above Avg.</b>	<b>Average</b>
VALLX Gross/Net Expense Ratio*: 1.23% / 1.13%, VLLIX Gross/Net Expense Ratio**: 2.70%/0.98%					

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

<sup>1</sup>*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.*

\*Effective May 1, 2016 to June 30, 2017, EULAV Securities LLC (the "Distributor") has contractually agreed to waive a portion of the 12b-1 fee otherwise payable from assets attributable by Investor Class shares in an amount equal to 0.10% of such class's average daily net assets. This waiver can be terminated or changed before June 30, 2017 only with the approval of the Fund's board and the Distributor. The Fund's performance would be lower in the absence of such waivers.

\*\*EULAV Asset Management (the "Adviser") and 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 [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 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 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 9/30/16 among 1482, 1285, 924 large growth funds, respectively.

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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