



Portfolio Manager Q&A



Stephen E. Grant
Portfolio Manager

Mr. Grant has been Portfolio Manager of the Value Line Small Cap Opportunities Fund since 1998. He has over 20 years experience and currently manages funds containing approximately \$1.3B in net assets. Mr. Grant earned an MBA from Wharton and a BA from Stanford University.

Value Line Small Cap Opportunities Fund

Overall  Rating



Among 637
Mid-Cap Growth Funds
(as of 6/30/13)

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. The Fund received 5 stars for the 3-year period and 4 stars for the 5- and 10-year periods ended 6/30/13 among 637, 563 and 417 Mid-Cap Growth funds, respectively.

Fund Facts

Symbol: VLEOX
Total assets (6/30/13): \$315M
Inception date: 6/23/93

Value Line Small Cap Opportunities Fund (VLEOX)

Q1: The Value Line Small Cap Opportunities Fund has had an average holding period of approximately four years - substantially longer than the typical smaller company growth fund. What factors drive your conviction to hold a stock for so long?

At Value Line Funds, our goal is to deliver above average returns over time and do so with a lower risk profile. We take a conservative view with our management approach and prefer to deliver a smoother ride to our shareholders.

With the Value Line Small Cap Opportunities Fund, we seek holdings that have a history of demonstrated results. Through our rigorous selection process, we find growth-oriented companies that have consistently grown both their earnings and stock price over longer time frames. Importantly, we prefer that these companies have at least a 10 year record of doing so. By including proven steady-eddy companies in the portfolio, we tend not to be quarter-to-quarter oriented but rely upon company management to do what they do best – deliver consistent results year in and year out.

Q2: As a small company manager, how do you deal with market cap creep as your more successful holdings graduate to the mid-cap level?

As a result of only buying smaller companies with a proven track record of successful operating results, the Fund generally has a larger median market cap than most small-cap funds. In fact, we attempt to keep at least 80% of the portfolio in companies with a market cap roughly below \$4.8B. This threshold is a moving target and will change based upon Lipper's determination of the small- to mid-cap range. Recently, Lipper's upper capitalization band for small-cap stocks has fallen in the mid \$4B to upper \$4B range.

If a holding crosses the upper small-cap band to the mid-cap territory, we evaluate the future opportunity of that stock relative to new or existing opportunities companies with a lower market cap. If we determine that the current holding is relatively more attractive and has a long runway, we will keep the position. If another holding appears more attractive, we will sell the holding and reallocate the proceeds.

“We take a conservative view with our management approach and prefer to deliver a smoother ride to our shareholders.”

Because of our strict adherence to earnings track records of 10 years or more, we typically do not purchase smaller companies with market caps below \$1B. In addition, we do not purchase companies that are newer public companies because of our insistence on an upward 10 year stock price trend.

Our proven smaller company selection philosophy tends to reduce overall volatility and yields a Fund with a lower relative risk profile.

Value Line Funds

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OVERALL LIPPER RATINGS

as of 6/30/13

5

Preservation

Overall Lipper Leader designations reflect the Fund's rankings relative to its peer group as of 6/30/13. The Fund was a Lipper Leader among all funds (10,312) for Preservation in the small-cap growth funds category.

Q3: The Value Line Small Cap Opportunities Fund holds substantially more positions than other smaller company growth funds. Why do you hold so many companies?

Our investment selection is based upon a strict focus on proven results. Therefore our goal is to assemble a high-quality portfolio of outstanding smaller companies that have produced similar outcomes over a longer time period. We favor consistent results rather than one break-out year of operating performance or stock price appreciation. To use a baseball analogy, we are more concerned with hitting base hits rather than attempting to hit a home run. This approach reduces our volatility and allows our investment process itself to become more important than any individual stock holding.

Value Line Small Cap Opportunities Fund (VLEOX)

Performance (as of 6/30/13)	Average Annual Total Return			
	1 Year	3 Year	5 Year	10 Year
Small Cap Opportunities Fund	24.85%	21.95%	7.93%	9.75%
Russell 2000 Index	24.21	18.65	8.77	9.52
Lipper Small-Cap Growth Funds	22.03	18.79	8.31	9.06
Lipper Ranking as of 6/30/13	141/502	68/445	219/395	91/261
Percentile	29th	16th	56th	35th

Expense ratio: 1.28%

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 1-800-243-2729. 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, 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.

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 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-year periods. 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.

Lipper Leader Ratings are subject to change monthly and are based on an equal-weighted average of percentile ranks for the category's metrics over 3-year, 5-year, and 10-year periods (if applicable). The highest 20% of funds in each peer group are named Lipper Leaders, the next 20% receive a rating of 4, the middle 20% are rated 3, the next 20% are rated 2, and the lowest 20% are rated 1. A fund or class must be in existence three years to be rated. Both designations reflect the fund's ranking relative to its peer group as of 6/30/13, and do not take sales charges into account. Lipper ratings are not intended to predict future results, and Lipper does not guarantee the accuracy of this information. More information is available at www.lipperleaders.com. Lipper Leader ©2013, Reuters, All Rights Reserved. Performance for the Fund reflects fee waivers in effect; in their absence, returns would have been lower, which may have adversely affected the Fund's Lipper Rankings. The Value Line Small Cap Opportunities Fund, in Lipper's Small Cap Growth Funds category, received the following ratings for the 3-, 5- and 10-year periods, respectively: Preservation: 5 (10,312 funds), 5 (8,800 funds), 4 (5,073 funds).

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.

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