



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 634
Mid-Cap Growth Funds
(as of 9/30/13)

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, 3 stars for the 5-year period and 4 stars for the 10-year periods ended 9/30/13 among 634, 551 and 408 Mid-Cap Growth funds, respectively.

Fund Facts

Symbol:	VLEOX
Total assets (9/30/13):	\$347.4M
Inception date:	6/23/93

Value Line Small Cap Opportunities Fund (VLEOX)

Q1: With smaller companies performing so well in 2013, would you please discuss your universe of growth opportunities? How attractive are valuations of smaller growth companies from a historical perspective?

As a smaller company growth manager that focuses on earnings and stock price appreciation, valuations do not drive our portfolio selection and are rather insignificant in our overall process. We have a long-term investment horizon and therefore having a low valuation upon purchase is not as important to us as consistent results over a period of years.

The universe of smaller companies is large and more inefficient than other capitalization ranges. As such, our research and selection methodology is critical to our long-term success. We attempt to identify smaller companies, generally with a market cap of \$4 billion or less, that have a demonstrated history of consistently growing both their earnings and stock price over longer time periods, typically at least 10 years. Our portfolio contains approximately 135 companies and we generally have 30 or so companies on our "watch list" for purchase.

Q2: The Fund has historically had very low turnover. Would you please discuss your sell criteria given that quarter to quarter results are de-emphasized in your selection process?

We are very long-term oriented and can be so because our companies tend to be proven entities with consistent results over an extended time period. Therefore, we are not concerned with quarterly misses unless a significant event has occurred that compromises our view of future consistent growth potential in earnings and stock price. Our companies are not high-flyers and rarely make the headlines. Instead, they can be thought of as "steady-eddy" companies that methodically produce results.

During each company's holding period, the stock price may get a bit ahead of itself and will temporarily pull-back in a subsequent period. In our opinion, growth investing requires the patience to allow companies the time to execute their business plans and investors need to realize that individual

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stock volatility is always present. Our goal is to keep that volatility within a narrow price band and give our shareholders not only above average performance but a smoother ride over time.

Q3: With the small cap market experiencing strong appreciation in 2013, how does market cap creep factor into your portfolio management?

No doubt the strong market of the past few years has caused the majority of stocks to appreciate and have resulted in higher market caps for those stocks. Given that our normal holding period is measured in years, some of our holdings that were once small cap stocks have grown, by virtue of their success, into mid-cap companies. We will often let these companies continue to grow in value and remain in the portfolio. However, we will compensate for holding a mid-cap stock by purchasing new companies with more modest market caps to maintain our smaller company mandate.

Value Line Small Cap Opportunities Fund (VLEOX)

Performance (as of 9/30/13)	Average Annual Total Return			
	1 Year	3 Year	5 Year	10 Year
Small Cap Opportunities Fund	31.68%	21.34%	12.36%	10.02%
Russell 2000 Index	30.06	18.27	11.15	9.63
Lipper Small-Cap Growth Funds	30.74	19.08	13.27	9.45
Lipper Ranking as of 9/30/13	222/502	112/446	247/396	97/261
Percentile	45th	26th	63rd	38th

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 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-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 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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