



**Overall  Rating**



(VLEOX)

Among 576 Small Growth Funds  
(as of 6/30/21)

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.

**Fund Facts**

**Symbol**

Investor VLEOX  
Institutional VLEIX

**Inception Date**

Investor 6/23/93  
Institutional 11/1/15

**Total Assets**

\$506M  
(as of 6/30/21)

**Top 10 Holdings**

(as of 6/30/21)

| Company                        | Weight (%) |
|--------------------------------|------------|
| Five9 Inc                      | 3.04       |
| Churchill Downs Inc            | 2.98       |
| Exponent Inc                   | 2.88       |
| RLI Corp                       | 2.72       |
| Woodward Inc                   | 2.47       |
| J&J Snack Foods Corp           | 2.41       |
| Stifel Financial Corp          | 2.40       |
| RBC Bearings Inc               | 2.07       |
| SPS Commerce Inc               | 2.06       |
| First Financial Bankshares Inc | 2.00       |

**Value Line Funds**

443.279.2015  
www.vlfunds.com

**Portfolio Manager Q&A**

**Value Line Small Cap Opportunities Fund (VLEOX/VLEIX)**

**Q1: Would you please comment on the Fund's performance relative to the Morningstar Small Growth Funds category average for the second quarter?**

The Fund produced a positive absolute return of 2.82% for the quarter ended June 30, 2021, lagging the Morningstar Small Growth Funds category average of 4.88% for the period.

Please visit the Fund's [performance page](#) for complete performance information.

While we are never satisfied with relative underperformance, we recognize the stock market is cyclical, and has favored lower-quality, higher risk profile stocks in recent months. However, the Fund invests in high-quality stocks with consistent track records of growth. In our view, the long-term perspective of our investment approach has led to the Fund's attractive long-term risk-adjusted returns. The Fund's Sharpe Ratio, a measure of risk adjusted returns, ranks in the top 3% of the Morningstar category over the 10-year period.

| Sharpe Ratio                         | 3 Year         | 5 Year         | 10 Year       |
|--------------------------------------|----------------|----------------|---------------|
| Small Cap Opportunities Fund (VLEOX) | 0.80           | 0.94           | 0.93          |
| Morningstar Small Growth Category    | 0.77           | 0.96           | 0.76          |
| <b>VLEOX vs Funds in Category</b>    | <b>Top 45%</b> | <b>Top 55%</b> | <b>Top 3%</b> |

Source: Morningstar as of 6/30/21

**Q2: Would you please describe the types of companies held in the Fund?**

Our investment process favors growth-oriented companies with long-term track records of consistent growth in both stock price and earnings, regardless of sector. As a result of our high-quality criteria, the Fund's holdings are primarily contained within the Industrials, Information Technology, Consumer Cyclical (Discretionary) and Healthcare Sectors.

Small-cap companies are often associated with a higher risk level, as they may be younger or less established businesses, while at the same time presenting greater potential for appreciation as businesses mature and expand. Our approach to small-cap investing is differentiated by our criteria of owning high-quality companies with more predictable operating results that have demonstrated long-term growth in both stock price and earnings over a period of years, ideally 10 years or more.

In addition, when initiating a new position, we typically start with a smaller position and allow the company to build its track record. As a result, the Fund has a lower risk profile than its peers in the Morningstar Small Growth funds category. In fact, the Fund has been awarded Morningstar's "Low" Risk rating for the 3, 5 and 10-year periods as of June 30, 2021.

| Small Cap Opportunities Fund (VLEOX) | 3 Year     | 5 Year     | 10 Year    |
|--------------------------------------|------------|------------|------------|
| <b>Morningstar Risk Rating</b>       | <b>Low</b> | <b>Low</b> | <b>Low</b> |

Source: Morningstar as of 6/30/21

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### Q3: How does inflation affect the companies in the portfolio?

Many investors are concerned with the potential of ongoing inflation. However, we believe the Fund is well positioned to handle inflationary pressures. The types of companies we own tend to have proprietary goods and services, and as such enjoy dominant positions with the marketplace. Due to their specialized offerings or strong market share, these companies tend to have greater leverage to raise their prices to offset increasing costs.

For example, we own Exponent (EXPO), a company that provides engineering and scientific consulting services on a project-by-project basis. Another example is RLI Corp (RLI), a property and casualty insurance underwriter that offers specialized coverage where policies are designed for unique risks.

### Q4: What changes were made to the Fund in the second quarter?

We purchased one new company for the portfolio, Signet Jewelers (SIG), a retailer of primarily diamond jewelry. Two companies left the portfolio after being acquired by other companies: Cantel Medical, a producer of medical equipment, was acquired by Steris (STE); and Inphi Corporation, a semiconductor company, was acquired by Marvell Technology (MRVL). As of June 30, 2021, the Fund held 109 companies.

## Portfolio Manager



### Stephen E. Grant

Co-Portfolio Manager

*Stephen E. Grant has been a portfolio manager with the Value Line Funds since 1991. Over the past 30 years, Mr. Grant's unique quantitative/behavioral methodology has driven the success of several equity and hybrid funds. Mr. Grant has a B.A. in Economics from Stanford University and an MBA in Finance from the Wharton School of the University of Pennsylvania.*

**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.**

*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, 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 Value Line Small Cap Opportunities Fund (Investor) received 3 stars for the 3- and 5-year periods and 4 stars for the 10-year period ended 6/30/21, among 576, 505 and 379 Small Growth funds, respectively.

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