



Overall **MORNINGSTAR** Rating



(Investor)

Among 609 Small Growth Funds
(as of 12/31/17)

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.



Stephen E. Grant

Portfolio Manager

Mr. Grant has been Portfolio Manager of the Value Line Small Cap Opportunities Fund since 1998 and has over 20 years of investment experience. Mr. Grant earned an MBA from Wharton and a BA from Stanford University.

Fund Facts

Symbol

Investor VLEOX
Institutional VLEIX

Inception Date

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

Total Assets

\$504M
(as of 12/31/17)

Portfolio Manager Q&A

Value Line Small Cap Opportunities Fund (VLEOX/VLEIX)

Q1: With the Fund's more defensive approach to investing in growth companies, how did the portfolio perform over 2017?

The Fund's 2017 return was nearly 18%, outperforming its benchmark Russell 2000 Index by nearly 300 basis points. Across the small-cap universe, there was a significant difference between the one-year performance of the small growth stocks and that of small value stocks. The Morningstar Small Growth Funds category outperformed the Morningstar Small Value Funds category by nearly 1300 basis points over the one-year period as of the end of 2017.

It is interesting to note how the Fund performed in strong markets compared to years of more normalized returns. In each of the past 10 calendar years, when the Russell 2000 Growth Index rose 20% or more, the Fund lagged in performance relative to its Morningstar peer group. However, **when the small-cap growth market advanced less than 20% or produced negative returns, the Fund outperformed the peer group by an average of nearly 500 basis points.**

Q2: What kinds of companies does the Fund generally prefer?

While the Fund invests in small growth stocks, our focus is on companies that exhibit a demonstrated history of consistent long-term growth in both earnings and stock price. Due to this approach, we typically do not hold more aggressive, headline grabbing growth-oriented stocks, such as those often found in the biotechnology sector.

With regard to sectors, compared to many Morningstar Small Growth Funds, the Fund typically holds an overweight position in more defensive companies, such as those within the Industrials sector and an underweight position in the Healthcare sector. Specifically, as of December 31, 2017, the Fund had a 36% weighting in Industrials, which was double the average weight held by its peers. In Healthcare, the Fund held approximately 7% weighting while the Morningstar Small Growth Funds category weighting was over 16%.

By holding a significant position in proven smaller companies with more predictable operating results, the Fund has maintained a lower risk profile. In fact, the Fund has been awarded Morningstar's "Low" risk rating for the 3, 5 and 10 year periods ended December 31, 2017.

Q3: Does the Fund hold micro-cap stocks?

The Fund tends to own few micro-cap stocks because many of these companies do not fit our strict criteria. Micro-cap companies generally lack a long-term track record of consistent earnings and price growth and often have not been publicly traded for 10 years or more. Instead, the Fund owns more mature smaller companies with longer operating results and a history of consistent earnings and stock price movement.

| Value Line Small Cap Opportunities Fund Performance (as of 12/31/17) | | | | |
|---|---------------|-------------------|---------------|--------------|
| | 1 Year | 3 Year | 5 Year | 10 Year |
| Investor - VLEOX | 17.64% | 11.10% | 14.70% | 8.81% |
| Institutional - VLEIX¹ | 17.95 | 11.32 | 14.83 | 8.87 |
| Russell 2000 Index | 14.65 | 9.96 | 14.12 | 8.71 |
| Morningstar Small Growth Category Avg. | 21.50 | 9.97 | 13.96 | 8.42 |
| Morningstar Category Rank (%) - VLEOX | 69 | 33 | 38 | 42 |
| # of Funds in Category | 684 | 609 | 544 | 406 |
| Morningstar Return | | Above Avg. | Avg. | Avg. |
| Morningstar Risk | | Low | Low | Low |
| VLEOX Gross Expense Ratio: 1.21%, VLEIX Gross/Net Expense Ratio*: 1.22% / 0.96% | | | | |

Morningstar rates funds based on enhanced Morningstar risk-adjusted returns. Morningstar Ratings and Rankings based on 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 VLEIX is November 1, 2015.*

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.

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.

*EULAV Asset Management (the "Adviser") and EULAV Securities LLC, the Fund's principal underwriter (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) (the "Expense Limitation"). The Adviser and the Distributor may subsequently recover from assets attributable to the Institutional Class the 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 Institutional Class's expense ratio is less than the Expense Limitation or, if lower, the expense limitation in effect when the waiver/reimbursement occurred. The Expense Limitation can be terminated or modified before June 30, 2019 only with the agreement of the Fund's board. The Fund's performance would be lower in the absence of such waivers.

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 4 stars for the 3-, 5- and 10-year periods ended 12/31/17 among 609, 544 and 406 Small Growth funds, respectively.

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