



Overall MORNINGSTAR® Rating



(Investor)

Among 583 Small Growth Funds
(as of 12/31/18)

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 25 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	\$405M
	(as of 12/31/18)

Top 10 Holdings (as of 12/31/18)

Company	Weight
Teledyne Technologies, Inc.	3.13%
Tyler Technologies, Inc.	2.91%
Pool Corp.	2.87%
The Toro Co.	2.73%
Lennox International, Inc.	2.32%
RLI Corp.	2.29%
Chemed Corp.	2.28%
AptarGroup, Inc.	2.26%
Healthcare Services Group, Inc.	2.01%
Woodward, Inc.	1.91%

Portfolio Manager Q&A

Value Line Small Cap Opportunities Fund (VLEOX/VLEIX)

Q1: Would you please discuss the performance of the Small Cap Opportunities Fund for the year ending December 31, 2018?

In 2018, small-cap companies, in general, had a challenging year, with the Russell 2000 Index losing 11.01% compared to the larger company-oriented S&P 500 Index, which declined 4.38%. While we are never happy with negative absolute performance, we are pleased the Fund outperformed both the Russell 2000 Index and the Morningstar Small Growth Funds category on a relative basis in 2018. Notably, the Fund outperformed the Russell 2000 and the Morningstar category by 627 basis points and 102 basis points, respectively, for the year.

In fact, in each of the past 10 calendar years, when the small-cap growth market, as measured by 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 each year.**

We believe this outperformance in more normal markets is due primarily to our disciplined, long-term investment approach of holding companies with a long-term history, preferably 10+ years, of consistent growth in both stock price and earnings.

Q2: How does the Fund address risk when investing in small-capitalization companies?

Smaller companies can be more volatile than larger, more mature companies. However, we approach small-cap investing differently than many of our peers. With an emphasis on bottom-up fundamentals, including consistent, long-term growth in stock price and earnings, we tend to avoid headline-grabbing, risk-prone companies. Rather, we favor businesses that have strong core products and services, experienced management and more predictable operating results regardless of the economic climate.

As a result of our approach, the Fund has achieved impressive risk-adjusted results. Using Sharpe Ratio, which measures the amount of return received for the level of risk assumed, we are pleased the Fund is ranked among the top 10% of funds in the Morningstar Small Growth category for the 5 and 10 year periods ended December 31, 2018. We believe investors appreciate category-beating returns with a lower risk profile.

Small Cap Opportunities Fund (VLEOX)	3 Year	5 Year	10 Year
Morningstar Risk Rating	Low	Low	Low
Sharpe Ratio Percentile Rank	Top 27%	Top 10%	Top 6%
# of Morningstar Small Growth Funds	193	179	154

Source: Morningstar

Q3: What changes have been made to the portfolio in the fourth quarter?

During the quarter, we added seven new companies that met our stringent criteria of long-term, consistent growth in stock price and earnings and sold three companies. A new addition included SPS Commerce (SPSC), a software company and provider of cloud-based supply chain management solutions with a market cap of approximately \$1.5 billion that continues to produce impressive, consistent results.

Value Line Small Cap Opportunities Fund Performance (as of 12/31/18)				
	Average Annual Returns			
	1 Year	3 Year	5 Year	10 Year
Investor - VLEOX	-4.74%	8.62%	6.80%	13.63%
Institutional - VLEIX¹	-4.50	8.91	6.98	13.72
Russell 2000 Index	-11.01	7.36	4.41	11.97
Morningstar Small Growth Category Avg.	-5.76	8.47	5.12	13.36
Percentile Rank in Morningstar Cat. - VLEOX	42	47	21	45
# of Funds in Category	676	583	516	391
Morningstar Return		Average	Above Avg.	Average
Morningstar Risk		Low	Low	Low
VLEOX Gross / Net Expense Ratio: 1.21%, VLEIX Gross/Net Expense Ratio*: 1.01% / 0.96%				
<i>Morningstar rates funds based on enhanced Morningstar risk-adjusted returns. Morningstar Ratings and Rankings based on Investor class shares.</i>				
<i>¹Italics 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.</i>				

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 3 stars for the 3-year period, 4 stars for the 5- and 10-year period ended 12/31/18 among 583, 516, and 391 Small Growth funds, respectively.

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