



**Small Cap  
Opportunities Fund**

**Overall MORNINGSTAR® Rating**



Among 667 Small Growth Funds  
(as of 6/30/15)

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. He has over 20 years experience and currently manages funds containing nearly \$1.6B in net assets. Mr. Grant earned an MBA from Wharton and a BA from Stanford University.

**Fund Facts**

Symbol: VLEOX  
Inception date: 6/23/93  
Total assets: \$352M  
(as of 6/30/15)

**Portfolio Manager Q&A**

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

**Q1: As a smaller company portfolio, what characteristics do the Fund's holdings have in common?**

The small-cap marketplace includes many fast growing companies, some of which have short track records and others that have a longer history. We prefer to include companies in the portfolio that have a demonstrated track record of 10+ years of growth in both earnings and stock price.

With an insistence on demonstrated performance over at least a full market cycle, we are better able to evaluate a company's longer term growth potential in both rising and declining markets. As a result, our portfolio companies tend to be somewhat larger small-cap companies that have performed well regardless of the economic environment. As you might expect, we avoid micro-cap companies due to their short track records and limited liquidity.

**"With an insistence on demonstrated performance over at least a full market cycle, we are better able to evaluate a company's longer term growth potential in both rising and declining markets."**

**Q2: How has the Fund's criteria of favoring proven track records mitigated risk over time?**

While seeking companies with a 10+ year historical track record narrows our selection universe, this stringent selection criteria has enabled us to assemble a small-cap portfolio with lower risk over time. This portfolio of proven performers has provided investors with more downside protection, as measured by a lower downside capture percentage, than the average of the Morningstar Small Growth category for the past 3, 5 and 10 years periods ended June 30, 2015. In addition, the Fund's performance on a risk-adjusted basis is quite favorable as the portfolio's Sharpe ratio is higher than the Morningstar category average for the same trailing time periods.

**Q3: In 2014, large-cap stocks outperformed their smaller counterparts. In 2015, the reverse has taken place. What factor do you believe is responsible for this shift in relative performance?**

In 2014, large-cap stocks outperformed smaller caps by the largest differential in the past decade, as measured by the S&P 500 and the Russell 2500 indexes, respectively.

More recently, the stronger U. S. dollar has negatively impacted the performance of many larger companies with significant international revenue exposure. Conversely, small-cap companies tend to have domestically-derived revenue and therefore are not exposed to

*(Q3: continued)*

any negative currency impact on revenue. As of June 30, 2015, smaller companies had outperformed large-cap stocks, as measured by the Russell 2500 and S&P 500 respectively, by over 350 basis points on a year-to-date basis.

**Q4: With the Fed apparently getting closer to raising rates, would you please discuss the portfolio's interest rate sensitivity?**

While the impact of higher interest rates needs to be examined on a stock-by-stock basis, we believe higher rates will benefit our portfolio. Over the past few years, investors have been focused on stocks with high price-to-earnings ratios, higher risk and more volatility in order to boost returns in a low interest rate environment. As a result, proven performers, such as those found in the Fund's portfolio, didn't receive the same level of attention. When rates rise, we believe investors will refocus on the type of higher-quality, consistent growers that we own in the portfolio.

<b>Value Line Small Cap Opportunities Fund Performance (as of 6/30/15)</b>				
	<b>Average Annual Returns</b>			
	1 Year	3 Year	5 Year	10 Year
<b>Small Cap Opportunities Fund (VLEOX)</b>	<b>7.62%</b>	<b>17.71%</b>	<b>18.83%</b>	<b>8.97%</b>
Russell 2000 Index	6.49	17.81	17.07	8.40
Morningstar Small Growth Category Avg.	9.60	17.99	17.65	9.00
Morningstar Return		<b>Average</b>	<b>Above Avg.</b>	<b>Average</b>
Morningstar Risk		<b>Low</b>	<b>Low</b>	<b>Low</b>
Expense ratio: 1.27%				

*Morningstar rates funds based on enhanced Morningstar risk-adjusted returns.*

**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 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 Fund received 3 stars for the 3 year period, and 4 stars for the 5 year and 10 year periods ended 6/30/15 among 667, 588 and 413 small growth funds, respectively.

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.**

Value Line, Value Line Logo, Timeliness, Safety are trademarks or registered trademarks of Value Line Inc. and/or its affiliates in the United States and other countries. Used by permission.