



Overall **MORNINGSTAR** Rating



(Investor)

Among 599 Small Growth Funds
(as of 12/31/16)

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

\$463M
(as of 12/31/16)

Top 10 Holdings

(as of 12/31/16)

Company	Weight (%)
Lennox Intl, Inc.	2.6%
Toro, Co.	2.4%
Middleby Corp.	2.2%
Clarcor, Inc.	2.1%
Teledyne Technologies, Inc.	2.1%
Waste Connections, Inc.	2.0%
Heico Corp.	1.9%
Tyler Technologies, Inc.	1.9%
RLI Corp.	1.8%
Pool Corp.	1.7%

Portfolio Manager Q&A

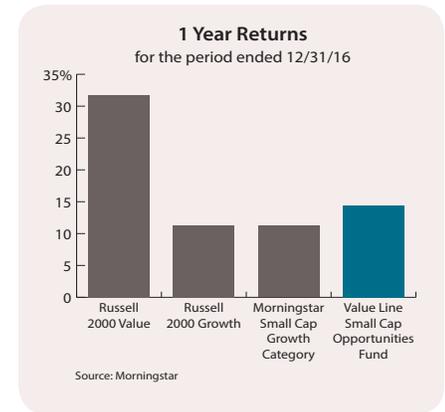
Value Line Small Cap Opportunities Fund (VLEOX/VLEIX)

Q1: Would you please discuss the performance difference between small capitalization value and growth companies in 2016? As a growth fund, how did the Small Cap Opportunities Fund fare?

In 2016, the overall small-cap market as represented by the Russell 2000 Index rose more than 20%, with value stocks significantly outperforming growth stocks. The one-year return of the Russell 2000 Value Index (31.7%) more than doubled that of the Russell 2000 Growth Index (11.3%) as of December 31, 2016. Value stock outperformance within the broader small-cap universe has not occurred since 2012.

Due to our approach of investing in small-cap growth companies, we are pleased that the Small Cap Opportunities Fund's one-year return of 14.4% outperformed both the Russell 2000 Growth Index as well as the Morningstar Small Growth Funds Category returns. Notably, during the first quarter of 2016, the Small Cap Opportunities Fund provided investors more than 400 basis points of downside protection relative to the Morningstar Small Growth Funds Category, which fell over 4%.

The Fund has outperformed mainly to due to our positions in more defensive areas of the market rather than aggressive growth-oriented stocks. For example, the Fund held a 36% weighting in Industrials compared to an 18% weighting for the Morningstar Category. Conversely, the Fund had an underweight position in Health Care, holding about an 8% weighting compared to the Morningstar Small Growth Funds Category weighting of over 16%. Over a full market cycle, we believe our approach provides investors with the opportunity to outperform both the index and our peers with lower volatility.



Q2: Would you please discuss the type of companies that are typically held in the portfolio?

For the Small Cap Opportunities Fund, we take a fundamental approach to small-cap growth companies, concentrating on high-quality stocks with experienced management teams and a consistent long-term record of growth.

These companies generally have enviable products and services with dominant market positions that increase their resiliency in any economic environment. With strong core products and services, we believe these companies have a higher level of control over their future growth. While some holdings may not be household names, they often provide ubiquitous products or services common to many households. Lennox International, Inc., (leading provider of residential heating and cooling systems) and Rollins (the parent company of Orkin Pest Control) are two of the Fund's holdings that fit this description.

Q3: What is the benefit of the Fund's approach when investing in small-cap companies?

Many investors only focus on performance when investing in smaller companies. However, we believe the risk associated with performance is a better way to measure small-cap funds. We place significant emphasis on risk control. We believe our strategy of owning companies with a long-term track record of demonstrated success in earnings and stock price growth helps mitigate the volatility inherent in smaller companies while taking advantage of the potential performance of the asset class. As of December 31, 2016, the Fund offered an attractive risk/return profile, achieving "Above Average" returns with a "Low" risk rating within the Morningstar Small Growth Funds Category for the 3-, 5- and 10-year periods. In fact, based on Sharpe ratio, the Fund ranked #3 out of 184 Small Growth Funds for the 5-year period ended December 31, 2016.

Value Line Small Cap Opportunities Fund Performance (as of 12/31/16)				
	Average Annual Returns			
	1 Year	3 Year	5 Year	10 Year
Investor - VLEOX	14.37%	7.44%	14.57%	8.31%
Institutional - VLEIX¹	14.67	7.55	14.64	8.35
Russell 2000 Index	21.31	6.74	14.46	7.07
Morningstar Small Growth Category Avg.	11.20	3.55	12.33	7.08
Morningstar Category Rank (%) - VLEOX	26	10	13	17
# of Funds in Category	669	599	531	389
Morningstar Return		Above Avg.	Above Avg.	Above Avg.
Morningstar Risk		Low	Low	Low
VLEOX Gross Expense Ratio: 1.25%, VLEIX Gross/Net Expense Ratio*: 3.47% / 1.00%				

Morningstar rates funds based on enhanced Morningstar risk-adjusted returns. Morningstar Ratings and Rankings based on Investor class shares.

¹Indicates 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) during the period March 17, 2016 through July 31, 2017 (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. The Expense Limitation can be terminated or modified before July 31, 2017 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 5 stars for the 3-, 5- and 10-year periods ended 12/31/16 among 599, 531 and 389 Small Growth funds, respectively.

The inception dates of Value Line Mutual Funds range from 1950 to 2016. **Value Line Mutual Funds are distributed by EULAV Securities LLC. Past performance is no guarantee of future results.**

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