



Value Line Small Cap Opportunities Fund

Overall  Rating



(Investor)

Among 660 Small Growth Funds
(as of 9/30/16)

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

\$423M
(as of 9/30/16)

Portfolio Manager Q&A

Value Line Small Cap Opportunities Fund (VLEOX/VLEIX)

Q1: Would you please discuss the strong performance of small-cap stocks in the third quarter of 2016?

In the third quarter, faster-growing, more speculative small-cap growth companies outperformed the defensive areas of the market. The Health Care and Technology sectors rose nearly 14% and 18%, respectively, while Consumer Staples lost 2% and Industrials gained less than 9%, respectively, in the three month period ended September 30, 2016.

In the quarter, the Fund underperformed the Morningstar Small Growth Fund Category. Our focus is on companies with experienced management teams that have a consistent track record of growth in both earnings and stock price, preferably over an 8- to 10-year time frame or longer as opposed to short-term market developments. Oftentimes, in strong market rallies, the Fund may lag its small growth peers, but importantly, over the long-term, the Fund's risk/return profile remains strong: The Fund was the only fund in the Morningstar Small Growth Category (out of 433 funds) to receive Morningstar's "Above Average" Return Rating with a "Low" Risk Rating for the 3-, 5- and 10-year periods as of September 30, 2016.

As a result of our investment process, we generally do not own highly cyclical growth stocks that were in favor during the third quarter. Instead, the Fund tends to own companies often described as "boring" that have enviable proprietary products and services that give them a niche in the marketplace and increased control over their own destinies regardless of the business environment. For example, holdings include Waste Connections, a waste management business, insurance company RLI Corp., and Toro Co., a manufacturer of irrigation equipment.

Q2: How do you apply the Fund's conservative approach to smaller companies?

In general, we favor companies that tend to be on the larger end of the small-cap category and hold micro-caps on a limited basis. Often these larger small-cap companies possess the following:

- A long-term track record of demonstrated success
- Experienced management teams
- Lower volatility in stock price compared to faster growing stocks

In addition, we intend to hold these more defensive smaller companies over a long time period. As of the Fund's fiscal year ended March 31, 2016, the Fund had a turnover rate of 17% compared to the Morningstar Small Growth Funds Category turnover of 77%.

Q3: What are the benefits of the Fund's investment approach in an overall portfolio?

We believe investors benefit by holding an allocation to a small-cap fund that offers a smoother ride over time compared to other small-cap growth funds. Oftentimes when investing in small companies, controlling volatility while capturing small-cap's historical outperformance is an important consideration. We believe the Value Line Small Cap Opportunities Fund has successfully achieved this goal. As of September 30, 2016, the Fund had the second highest risk adjusted return, as measured by Sharpe Ratio, of 182 Small Growth funds according to Morningstar for the 5 year period.

Value Line Small Cap Opportunities Fund Performance (as of 9/30/16)				
	Average Annual Returns			
	1 Year	3 Year	5 Year	10 Year
Investor - VLEOX	12.92%	7.96%	16.38%	8.35%
Institutional - VLEIX¹	13.19	8.04	16.44	8.38
Russell 2000 Index	15.47	6.71	15.82	7.07
Morningstar Small Growth Category Avg.	10.47	5.09	14.42	7.56
Morningstar Category Rank (%) - VLEOX	34	14	16	28
# of Funds in Category	736	660	596	433
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.

As of September 30, 2016, the Fund held 2.5% in Waste Connections, 2.2% in Toro Co, and 2.0% in RLI Corp.

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 4 stars for the 3-year period, 5 stars for the 5-year period and 4 stars for the 10-year period ended 9/30/16 among 660, 596 and 433 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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