



Overall **MORNINGSTAR** Rating



Among 562 Mid-Cap 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 Mid Cap Focused Fund since 2009. He has over 20 years of investment industry experience. Mr. Grant earned an MBA from Wharton and a BA from Stanford University.

**Fund Facts**

**Symbol**

Investor VLIFFX  
Institutional VLMIX

**Inception Date**

Investor 3/1/50  
Institutional 8/11/17

**Total Assets**

\$149M  
(as of 12/31/17)

**Top 10 Holdings**

(as of 12/31/17)

Company	Weight (%)
IDEXX Laboratories Inc.	4.57
Teledyne Technologies Inc.	4.48
Waste Connections Inc.	4.48
Rollins Inc.	4.41
Mettler-Toledo Intl Inc.	4.14
Fiserv Inc.	3.92
Toro Co.	3.85
Roper Technologies, Inc.	3.82
Amphenol Corp.	3.76
Ansys Inc.	3.68

**Portfolio Manager Q&A**

**Value Line Mid Cap Focused Fund (VLIFX/VLMIX)**

**Q1: With the Fund's focused approach to investing, how did the lack of market volatility in 2017 affect the portfolio?**

Maintaining a smaller, more concentrated portfolio with limited holdings requires discipline; as such, we are selective when adding new positions to the Fund. With exceptionally low levels of market volatility throughout 2017, we only added one new stock to the portfolio, which was American Financial Group, a property and casualty insurance company. During 2017, we sold a few companies that did not meet our expectations for consistent long-term growth in both earnings and stock price. The Fund ended the year with 36 holdings, down from 39 at the end of 2016.

The lack of overall market volatility did not prevent us from making minor changes to the weightings of individual stocks. During 2017, we took advantage of short-term pullbacks in several companies to add to our position. Taking this active, pragmatic approach results in a portfolio that is composed of our "best ideas" portfolio of mid-cap growth stocks that have a demonstrated history of 10+ years of consistent growth in both stock price and earnings.

**"We believe an important investor benefit is outperformance without undue risk compared to other mid-cap growth funds."**

**Q2: What is a benefit of the Fund's focused strategy to long-term investors?**

We believe an important investor benefit is outperformance without undue risk compared to other mid-cap growth funds. For the past three years since its transition to a focused strategy, the Fund has generally held between 35 and 45 companies, with a large percentage of capital allocated to our high conviction holdings. Portfolio diversification has been maintained and there was little dilution from stocks with less potential growth.

By investing in a focused portfolio of high-quality companies with 10 or more years of consistent growth in price and earnings, we believe the Fund has achieved a favorable risk/reward profile. In fact, **the Fund has outperformed the Morningstar Mid-Cap Growth Funds category and did so with a "Low" risk rating for the 3- and 5-year periods as of December 31, 2017.**

**Q3: Why should investors allocate to mid-caps in the coming year?**

We see the mid-cap area of the market as a "sweet spot" in the overall universe of domestic stocks. While there may be plenty of larger companies with a 10+ year history of growth, many large-cap stocks cannot continue rapidly growing their

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*(Q3 continued)*

earnings and stock price year-in and year-out. Conversely, smaller companies tend to have shorter operating histories and higher price volatility. Mid-caps are generally where we find the best opportunities that fit our criteria of historical growth and a long enough runway for meaningful future growth.

<b>Value Line Mid Cap Focused Fund Performance (as of 12/31/17)</b>				
	1 Year	3 Year	5 Year	10 Year
<b>Investor - VLIFX</b>	<b>19.84%</b>	<b>11.03%</b>	<b>14.09%</b>	<b>5.03%</b>
<b>Institutional - VLMIX<sup>1</sup></b>	<b>19.90</b>	<b>11.05</b>	<b>14.10</b>	<b>5.03</b>
S&P 500 Index	21.83	11.41	15.79	8.50
Morningstar Mid-Cap Growth Category Average	23.91	9.40	13.73	7.67
<b>Morningstar Cat. Rank (%) - VLIFX</b>	<b>78</b>	<b>24</b>	<b>42</b>	<b>91</b>
# of Funds in Category	617	562	490	362
Morningstar Risk		<b>Low</b>	<b>Low</b>	<b>Low</b>
VLIFX Expense Ratio: 1.21%, VLMIX Gross/Net Expense Ratio*: 0.96% / 0.96%				

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

<sup>1</sup>*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 VLMIX is August 11, 2017.*

**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.*

\*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 information regarding the Institutional Class in the table has been restated to reflect 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 Fund received 4 stars for the 3- and 5-year period and 2 stars for the 10-year period ended 12/31/17 among 562, 490 and 362 mid-cap growth funds, respectively.

**Past performance is no guarantee of future results. Value Line Mutual Funds are distributed by EULAV Securities LLC.**

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