



Value Line Mid Cap Focused Fund



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: VLIFX
Inception date: 3/1/50
Total assets: \$119M
(as of 12/31/15)

Portfolio Manager Q&A

Value Line Mid Cap Focused Fund (VLIFX)

Q1: With tepid economic growth and increased market volatility, what is the investment case for growth stocks?

Investors should keep in mind that growth investing includes many types of companies ranging from fast growing, high-flying companies such as those generally found in the Biotechnology and Technology sectors to steady, more consistent growth companies found in the Materials and Industrials sectors. We believe companies across a spectrum of industries and sectors can be valuable portfolio components. However it must be remembered that while these companies offer diversification benefits, their growth and risk dynamics can be quite different.

In the Value Line Mid Cap Focused Fund, we focus on holding companies that have a 10+ year history of growing both earnings and stock price. This criteria gives us more confidence that these companies can continue to consistently grow regardless of the economic environment and reduces the Fund's risk profile. We are not focused on building a portfolio of high-flying growth stocks, as these companies can exhibit substantial short-term price volatility. Rather, we believe that long-term oriented investors can benefit by holding consistent growth companies that have lower risk characteristics.

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Q2: Would you please discuss the Fund's performance as a "focused" portfolio?

The Fund consistently held approximately 45 companies throughout 2015, down from over 100 holdings in 2014. The transition to a focused, "best ideas" approach resulted in approximately 400 basis points of outperformance relative to the Fund's mid-cap growth peers. As of December 31, 2015, the Fund's total return was nearly 3% while the Morningstar Mid-Cap Growth Funds Category experienced a loss of nearly 1% over the one-year period.

Importantly, the move to a smaller core group of holdings has not changed the portfolio's low volatility characteristics, as the Fund has retained Morningstar's "Overall Low Risk" rating as of the end of 2015. While many investors may believe a smaller

number of holdings could increase portfolio volatility, research shows that concentrated funds have been found to offer approximately the same level of portfolio risk as funds with many more holdings.

### Q3: Would you please expand on your definition of “best ideas”?

For the Value Line Mid Cap Focused Fund, we define our “best ideas” as proven mid-cap companies that have demonstrated 10+ years of growth in both earnings and stock price. Our investment process adheres to Value Line’s 60 year process of selecting high-quality growth companies without taking on undue risk.

This selection of proven growth companies typically results in a portfolio that includes holdings in sectors such as Consumer Staples, Industrials and Materials. As these companies tend to be less cyclical, their earnings and stock price movements are generally more consistent which often results in lower price volatility. As of December 31, 2015, Consumer Staples, Industrials and Materials stocks comprised 14.2%, 34.3% and 11.2% of the portfolio, respectively, while the Morningstar Mid-Cap Growth Category held only 5.9%, 18.4% and 2.8%, respectively.

Value Line Mid Cap Focused Fund Performance (as of 12/31/15)				
	Average Annual Returns			
	1 Year	3 Year	5 Year	10 Year
<b>Value Line Mid Cap Focused Fund (VLIFX)</b>	<b>2.95%</b>	<b>13.28%</b>	<b>11.98%</b>	<b>4.32%</b>
S&P 500 Index	1.38	15.13	12.56	7.30
Morningstar Mid-Cap Growth Category Average	-0.95	12.82	9.59	7.16
Morningstar Cat. Rank (%)	16	41	13	95
# of Funds in Category	733	644	577	431
Morningstar Risk		<b>Low</b>	<b>Low</b>	<b>Low</b>
Gross Expense ratio: 1.23%				

*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 Value Line Mid Cap Focused Fund was formerly named the Value Line Fund.

The inception dates of Value Line Mutual Funds range from 1950 to 2015. **Value Line Mutual Funds are distributed by EULAV Securities LLC. Past performance is no guarantee of future results.**

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