



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 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:	VLIFX
Inception date:	3/1/50
Total assets:	\$116M
<i>(as of 9/30/15)</i>	

Portfolio Manager Q&A

Value Line Mid Cap Focused Fund (VLIFX)

Q1: Would you please provide an update on the Fund’s transition to a more focused strategy with fewer holdings?

We view ourselves as long-term investors focused on mid-cap companies that have at least a 10-year record of growing stock price and earnings. As such, following the initial pruning of the portfolio from over 100 to 45 holdings, we have only made slight modifications to the portfolio. Specifically, only two companies were sold in the third quarter of 2015 due to deteriorating fundamentals and moderating performance consistency. When a company’s long-term history of consistently growing earnings and stock price weakens, we often sell or reduce our weighting.

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Q2: The Fund has an overweight position in the Industrials sector relative to the S&P 500 Index and the Morningstar Mid-Cap Growth category. Why?

With a 35% weighting, the Fund’s Industrials sector holdings represents twice the allocation as compared to that of the Mid-Cap Growth category and over three times the allocation as compared to that of the Index. The Fund holds many companies in the Industrial sector as they typically have more predictable operating results. In addition, these companies often possess in-demand products and services that are needed regardless of the economic environment.

Importantly, the Industrials sector is highly diversified and contains many distinct subsectors including Aerospace, Machinery, Railroads, Building Products and the Marine Industry. While the Industrials sector as a whole has seen weakness based on falling energy prices and a slowing global economy, not all subsectors have been negatively impacted. Companies that are multi-industry, or those less affected by the price of oil have performed well. In fact, many of the Fund’s Industrial holdings have experienced double-digit price gains year-to-date. We find that companies within the subsectors do not trade in unison, unlike companies within sectors such as Financial Services and Energy.

Q3: What are your expectations for the market and mid-cap stocks moving into 2016?

Rather than trying to predict overall market direction, we focus on taking advantage of near-term opportunities. As Warren Buffett has said, “Be fearful when others are greedy and greedy when others are fearful.” When we believe the market is getting too excited and investors are overly positive, we often look to reduce or sell positions. Conversely, when we see too much fear and investors selling, we view that as an opportune time to buy or add to existing positions. Nonetheless, we believe the strength of the portfolio results from stock selection—not market timing.

For long-term investors focused on consistent growth, we believe the mid-cap sector is an ideal area of the market. Mid-cap companies tend to have a longer track record than small-cap companies, but still offer more growth potential than large-cap companies.

Value Line Mid Cap Focused Fund Performance (as of 9/30/15)				
	Average Annual Returns			
	1 Year	3 Year	5 Year	10 Year
Value Line Mid Cap Focused Fund (VLIFX)	3.46%	11.87%	13.39%	3.91%
S&P 500 Index	-0.61	12.40	13.33	6.80
Morningstar Mid-Cap Growth Category Average	0.83	12.02	11.71	7.15
Morningstar Risk		Low	Low	Below Avg.
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 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.

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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