



## Portfolio Manager Q&A



**Stephen E. Grant**  
**Portfolio Manager**

Mr. Grant has been Portfolio Manager of the Value Line Premier Growth Fund since 1996. He has over 20 years experience and currently manages funds containing approximately \$1.3B in net assets. Mr. Grant earned an MBA from Wharton and a BA from Stanford University.

### Value Line Premier Growth Fund

Overall  Rating



Among 671  
Mid-Cap Growth Funds  
(as of 12/31/12)

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. The Fund received 5 stars for the 3-year period and 4 stars for the 5- and 10-year periods ended 12/31/12 among 671, 591 and 431 Mid-Cap Growth funds, respectively.

### Fund Facts

Symbol: VALSX  
Total assets (12/31/12): \$334M  
Inception date: 5/30/56

### Value Line Funds

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## The Value Line Premier Growth Fund

### Q1: As a growth-oriented manager, what are the key factors that guide your selection process?

Keeping in mind that past performance is no guarantee of future results, we believe that the best predictor of how well a stock will do in the future is how well that stock has done in the past. As such, we favor stocks that have shown consistent growth over the past 10 to 20 years. There are only a select number of companies that have historically demonstrated these consistent and predictable growth paths, and of course, these growth stocks are not immune from market dips and will temporarily fall in sympathy with the market. But these steady-eddy growth stocks tend to be resilient and their stock prices have reflected their potential to grow regardless of the economic scenario.

Most importantly, we search for companies that have the potential to be long-term winners. An insistence on past performance and clockwork consistency narrows our selection universe from approximately 6,000 companies to several hundred stocks that are portfolio candidates.

### Q2: Even though the Fund has a mid-cap bias, you often include larger or smaller companies in the portfolio. Would you please describe your portfolio construction process?

Our investment process is a function of selecting consistent growth companies with proven track records. It's very much a bottom-up process, stock by stock selection, based on historical long-term performance. As a result, we include stocks throughout the capitalization range but we believe the sweet spot for growth remains with companies that are in the mid-cap space. As a general rule, we don't take a view on the overall market or use sector outlooks as a criteria factor.

Our Fund holdings are companies with consistent growth characteristics, and are generally firms with a strong stable of proprietary goods or services. We will not significantly overweight any Fund position and will look to trim a relative weighting once a stock reaches approximately 2% of the portfolio. Since we are concentrating on long-term growth records, the Fund's turnover is rather low (approximately 20%). Because very few stocks have a history of truly ideal growth, we may include companies with strong growth but with less consistency (meaning more price variability), or a history that includes only 8 to 10 years in length versus the ideal time frame of 10 to 20 years.

*“Our investment process is a function of selecting consistent growth companies with proven track records.”*

Normally we don't buy or sell all at once, but instead trade names at the margins, particularly those on our watch list. A down day in the market might present an opportunity to buy a stock that's on the watch list, or, on an up day, we may trim a position that has shown slow or inconsistent growth. We are sensitive to trading costs, and manage our transactions accordingly to keep costs at a minimum.



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### Q3: How do you maintain a low risk profile as a growth manager?

Our low risk profile is a function of our portfolio construction methodology, which leads us to own many high-quality, growth companies with outstanding track records. Additionally, the Fund is well diversified at the individual company and sector level. We typically hold approximately 200 positions, and we tend to have relatively larger weightings in the more growth-oriented sectors of the market as a result of our selection process.

To augment sector diversification, we adjust our selection criteria a bit, where appropriate, depending upon the sector. For example in the financial services sector, there aren't as many stocks that have above average, consistent historical growth characteristics, so we may relax the criteria, just as we may "raise the bar" in sectors where growth is more likely. Our larger number of portfolio positions and representation across all sectors helps the Fund maintain a lower risk profile relative to our peer group.

### Q4: You have been managing the Premier Growth Fund since 1996. How has your process changed over that time frame?

Very little has changed. We use the same basic methodology today as when I started, owning stocks with strong technical patterns, and running the portfolio for growth with low turnover. With that said, it takes more history with any given stock today to convince us to own it; where we might have once owned a name based on a few years of price history, today's market dictates higher levels of scrutiny, and more historical data to determine tomorrow's winners.

### Value Line Premier Growth Fund (VALSX)

Performance (as of 12/31/12)	Average Annual Total Return			
	1 Year	3 Year	5 Year	10 Year
<b>Premier Growth Fund (VALSX)</b>	<b>17.80%</b>	<b>14.44%</b>	<b>3.49%</b>	<b>10.27%</b>
S&P 500 Index	16.00	10.87	1.66	7.10
Morningstar Mid-Cap Growth Cat. Avg.	14.07	11.08	1.74	8.98
Category Rank (%)	17%	11%	30%	28%
# of Funds in Category	737	671	591	431

Source: Morningstar

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 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 1-800-243-2729. 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.

**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, 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 inception dates of Value Line Mutual Funds range from 1950 to 1993. Value Line Mutual Funds are distributed by EULAV Securities LLC. Past performance is no guarantee of future results.**

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