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*Treasurer*

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**A N N U A L   R E P O R T**

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*March 31, 2010*

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*Value Line  
Asset  
Allocation  
Fund, Inc.*



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**V A L U E   L I N E**

*No-Load  
Mutual  
Funds*

*This audited report is issued for information to shareholders.  
It is not authorized for distribution to prospective investors  
unless preceded or accompanied by a currently effective  
prospectus of the Fund (obtainable from the Distributor).*

#00071694

# To Our Value Line Asset

## To Our Shareholders (unaudited):

Enclosed is your annual report for the 12 months ended March 31, 2010. I encourage you to carefully review this report, which includes economic observations, your Fund's performance data and highlights, schedule of investments, and financial statements.

The Value Line Asset Allocation Fund, Inc. (the "Fund") staged a strong rebound in the fiscal year, earning a total return of 31.40%. That compared to a total return of 49.77% for the Standard & Poor's 500 Index<sup>(1)</sup> in the same period, and a total return of 7.51% for the Barclays Capital U.S. Government/Credit Bond Index<sup>(2)</sup>.

Your Fund benefited from the substantial comeback by the stock market, and to a lesser extent from an advance in the corporate bond market. The Fund began the fiscal year with nearly 80% of assets invested in stocks. As the stock market rose sharply, we gradually reduced that allocation to about 60% of assets by September 30, 2009, and it has since remained in the 55%-65% range. Meanwhile, the allocation to bonds was increased from less than 15% to about 25% by September 30, 2009. As of March 31, 2010, the Fund's allocation was about 63% in stocks, 26% in bonds, and 11% in cash equivalents. Asset allocation for the Fund is primarily determined by Value Line's proprietary stock market and bond market models, which monitor a variety of economic and financial variables.

Since the Fund's inception nearly 17 years ago, it has achieved an average annual total return of 9.26%. It's noteworthy that this has been accomplished even while holding a significant portion of assets in bonds and cash, thus limiting the risk exposure of our

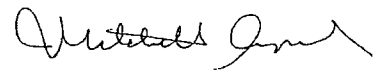
shareholders. Stephen Grant has been lead manager of the Fund since inception.

Key to the Fund's long-term success is our disciplined investment strategy. We invest only in stocks showing strong earnings momentum and stock price momentum, relative to other stocks. When that momentum lags, we are quick to sell, replacing the issue with one showing superior momentum. This is truly a portfolio of growth stocks, representing companies that have demonstrated an ability to increase their earnings and stock price steadily over time. The resulting high quality of the portfolio's holdings is one more way that we limit the risk exposure of our shareholders.

Yet another way we reduce risk is through wide diversification. The Fund currently holds about 130 stocks across many different industries. We typically invest less than 1/4 of 1% of assets in any new holding. A wide variety of company sizes is represented in the portfolio, too. Large-capitalization stocks make up about 40% of the stock investments; mid-cap, 50%; and small-cap, 10%. As for bondholdings, the Fund's mandate is to invest only in higher-quality issues, and the portfolio currently holds a variety of Treasury, agency and corporate bonds, primarily of short to intermediate maturities.

Thank you for your continued confidence in us.

Sincerely,



Mitchell Appel, President

May 10, 2010

- (1) *The S&P 500 Index consists of 500 stocks which are traded on the New York Stock Exchange, American Stock Exchange and the NASDAQ National Market System and is representative of the broad stock market. This is an unmanaged index and does not reflect charges, expenses or taxes, so it is not possible to directly invest in this Index.*
- (2) *The Barclays Capital U.S. Government/Credit Bond Index consists of government, investment-grade and mortgage-backed bonds and is representative of the broad bond market. This is an unmanaged index and does not reflect charges, expenses or taxes, so it is not possible to directly invest in this Index.*

# Allocation Fund Shareholders

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## Economic Observations (unaudited)

The recession, which commenced in the later stages of 2007 and proved long and disruptive, ended last year to all intents and purposes, although the National Bureau of Economic Research, which assigns beginning and ending dates to such downturns, has yet to rule officially on the matter. In all, the business contraction—which produced a succession of quarterly declines in the U.S. gross domestic product along with countless other upheavals—apparently concluded with the restoration of GDP growth in the final half of 2009 and the first three months of this year. The nascent up cycle in this country has been underpinned so far by a positive swing in the inventory cycle, a strengthening in business equipment spending, and increasingly better results in manufacturing and non-manufacturing activity, and in consumer spending.

Going forward, the upturn should be supported by further improvement in consumer and industrial activity, and some stabilization in the troubled housing sector. It is worth noting that the prospective rate of GDP growth in 2010 is likely to be 3.0%-3.5%, which is close to the historical norm of 3.0%-4.0%. The slight underperformance is traceable to lingering softness in such critical sectors as housing and employment. Until those areas show more sustained vigor, we likely will not see the higher levels of consumer spending needed for stronger business growth.

The long and painful recession was traceable to several events, beginning with sharp declines in housing construction, home sales, and real estate prices. Other contributing factors included a large reduction in credit availability, a high level of bank failures, increasing foreclosures and bank repossessions, a multi-decade high in the unemployment rate, weak retail activity, and trendless manufacturing. Unfortunately, several of these problems are likely to stay with us for some months yet—notably the aforementioned weakness in housing and job growth. Such prospective difficulties underscore why we expect modestly below-trend rates of GDP growth for now. Encouragingly, though, most business barometers are now either stabilizing or improving.

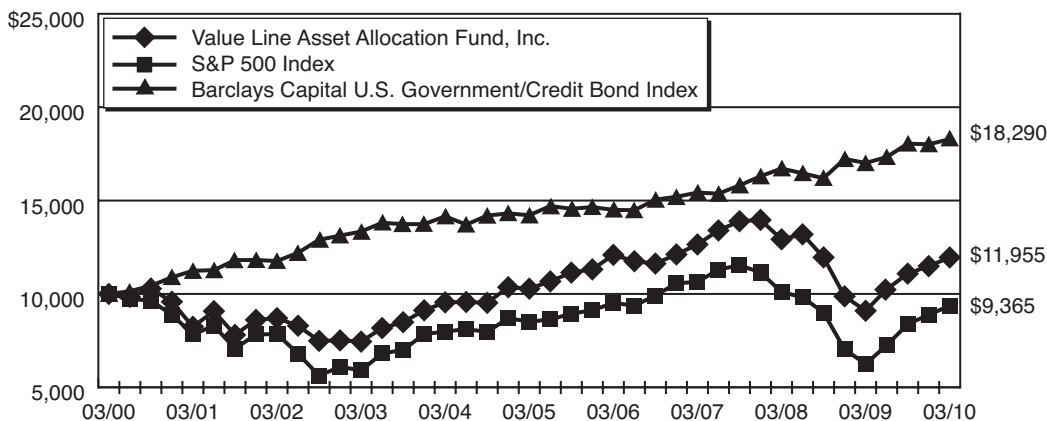
Meanwhile, one evolving concern, and a reason we are taking a somewhat cautious view of things at the moment, is the deterioration in the outlook across parts of Europe stemming from the proliferation of sovereign-debt worries in Greece, and to a lesser degree in Portugal, Spain, Ireland, and the rest of the United Kingdom. To be sure, the European Union recently did fashion a bailout package for Greece and other troubled nations in the euro zone. However, at this point, it is too soon to gauge whether these ambitious steps will be sufficient to stem the rising tide of concern on the Continent. It is also premature to make a determination as to whether or not Europe's woes will have an effect along our shores. Our sense, at this point, is that our own recovery will not be seriously threatened. However, some fallout is likely, especially as the sinking euro makes our exports much more costly overseas, potentially reducing a key source of our own prosperity.

Finally, inflation, which moved up sharply last year, following dramatic gains in oil, food, and commodity prices, has now moved onto a more stable and largely benign path. Going forward, we expect pricing to chart an uneven course, with further swings in oil and commodities being the norm, as the economy's evolving expansion most likely continues. On average, we think prices will increase less sharply over the next year or two than they did before the 2007-2009 recession. Looking further out, we see pricing pressures developing later on in the business up cycle—as is only natural—as demand for labor and materials revives. The Federal Reserve, meanwhile, continues to express support for an accommodative monetary approach. As a result, we believe the Fed is unlikely to increase interest rates until late this year or early 2011. Once it does opt to tighten, we believe it will do so rather gently. That is because the risks to the sustainability of the up cycle seem too great for the central bank to consider moving to aggressively tighten anytime soon—particularly given the volatile situation in Europe.

# (unaudited)

The following graph compares the performance of the Value Line Asset Allocation Fund, Inc. to that of the Barclays Capital U.S. Government/Credit Bond Index and the S&P 500 Index (the “Indices”). The Value Line Asset Allocation Fund, Inc. is a professionally managed mutual fund, while the Indices are not available for investment and are unmanaged. The returns for the Indices do not reflect charges, expenses or taxes but do include the reinvestment of dividends. The comparison is shown for illustrative purposes only.

**Comparison of a Change in Value of a \$10,000 Investment in the  
Value Line Asset Allocation Fund, Inc.,  
Barclays Capital U.S. Government/Credit Bond Index and the S&P 500 Index\***



**Performance Data: \*\***

	<u>Average Annual Total Return</u>	<u>Growth of an Assumed Investment of \$10,000</u>
1 year ended 3/31/10 .....	31.40%	\$13,140
5 years ended 3/31/10 .....	3.06%	\$11,629
10 years ended 3/31/10 .....	1.80%	\$11,955

\* The S&P 500 Index is representative of the large capitalization stocks traded in the United States.

The Barclays Capital U.S. Government/Credit Bond Index represents the U.S. Bond Market, with issues having an average maturity of 9.8 years.

\*\* The performance data quoted represent past performance and are no guarantee of future performance. The average annual total returns and growth of an assumed investment of \$10,000 include dividends reinvested and capital gains distributions accepted in shares. The investment return and principal value of an investment will fluctuate so that an investment, when redeemed, may be worth more or less than its original cost. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

**FUND EXPENSES (unaudited):****Example**

As a shareholder of the Fund, you incur ongoing costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (October 1, 2009 through March 31, 2010).

**Actual Expenses**

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes**

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if transactional costs were included, your costs would have been higher.

	<b>Beginning account value 10/1/09</b>	<b>Ending account value 3/31/10</b>	<b>Expenses paid during period 10/1/09 thru 3/31/10*</b>
Actual .....	\$1,000.00	\$1,078.33	\$5.54
Hypothetical (5% return before expenses) .....	\$1,000.00	\$1,019.60	\$5.38

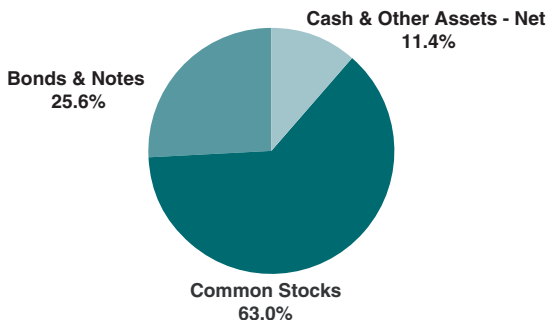
\* Expenses are equal to the Fund's annualized expense ratio of 1.07% multiplied by the average account value over the period, multiplied by 182/365 to reflect the one-half year period. This expense ratio may differ from the expense ratio shown in the Financial Highlights. The annualized expense ratio would have been 1.18% gross of nonrecurring legal fee reimbursement.

# Portfolio Highlights at March 31, 2010 (unaudited)

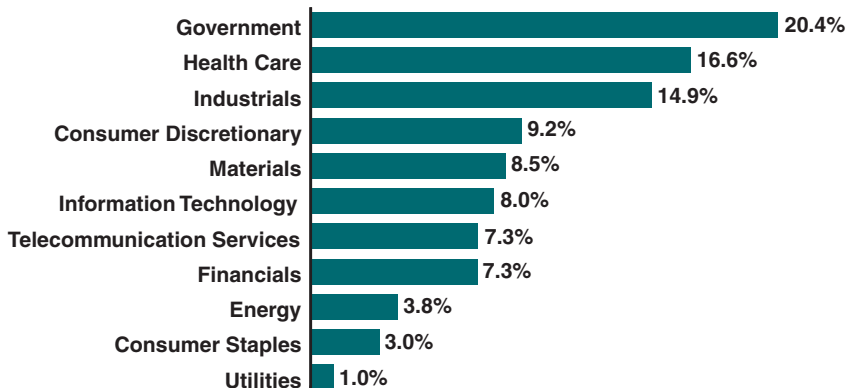
## Ten Largest Holdings

Issue	Shares/ Principal Amount	Value	Percentage of Net Assets
Federal Home Loan Banks, 2.00%, 7/27/12	\$2,000,000	\$2,008,282	3.4%
Express Scripts, Inc.	12,400	\$1,261,824	2.1%
Verizon Communications, Inc., 8.75%, 11/1/18	\$1,000,000	\$1,254,510	2.1%
Federal National Mortgage Association, 5.00%, 11/1/34	\$1,189,882	\$1,232,739	2.1%
Pfizer, Inc., 5.35%, 3/15/15	\$1,000,000	\$1,101,855	1.9%
BellSouth Corp., 5.20%, 9/15/14	\$1,000,000	\$1,077,453	1.8%
Federal Home Loan Mortgage Corp., 4.50%, 6/15/23	\$1,037,834	\$1,076,130	1.8%
Federal Home Loan Banks, 1.38%, 5/16/11	\$1,000,000	\$1,008,110	1.7%
U.S. Treasury Notes, 1.13%, 6/30/11	\$1,000,000	\$1,007,266	1.7%
EI du Pont de Nemours & Co., 3.25%, 1/15/15	\$1,000,000	\$1,006,087	1.7%

## Asset Allocation – Percentage of Net Assets



## Sector Weightings – Percentage of Total Investment Securities



## Schedule of Investments

March 31, 2010

Shares	Value	Shares	Value
<b>COMMON STOCKS (63.0%)</b>			
<b>CONSUMER DISCRETIONARY (8.2%)</b>			
12,750	Aeropostale, Inc. * \$ 367,582	3,900	Arch Capital Group Ltd. * . . . . \$ 297,375
2,200	AutoZone, Inc. * . . . . . 380,798	17,070	Banco Bilbao Vizcaya Argentaria, S.A. ADR . . . . . 233,688
3,300	Bed Bath & Beyond, Inc. * . . . . 144,408	5,500	Bank of Nova Scotia . . . . . 275,110
6,500	Buckle, Inc. (The) . . . . . 238,940	3,300	BlackRock, Inc. . . . . . 718,608
1,200	Deckers Outdoor Corp. * . . . . . 165,600	9,700	Eaton Vance Corp. . . . . . 325,338
12,800	Guess?, Inc. . . . . . 601,344	2,600	Franklin Resources, Inc. . . . . . 288,340
6,000	Johnson Controls, Inc. . . . . . 197,940	1,700	Goldman Sachs Group, Inc. (The) . . . . . 290,071
14,000	LKQ Corp. * . . . . . 284,200	4,000	MSCI, Inc. Class A * . . . . . 144,400
4,000	O'Reilly Automotive, Inc. * . . . . 166,840	678	Reinsurance Group of America, Inc. . . . . . 35,609
9,000	Phillips-Van Heusen Corp. . . . . 516,240	2,600	Royal Bank of Canada . . . . . 151,710
1,500	Priceline.com, Inc. * . . . . . 382,500	6,800	T. Rowe Price Group, Inc. . . . . <u>373,524</u>
4,000	Shaw Communications, Inc. Class B . . . . . 79,480		<b>3,791,800</b>
1,600	Strayer Education, Inc. . . . . . 389,632	<b>HEALTH CARE (12.8%)</b>	
9,000	TJX Companies, Inc. (The) . . . . . 382,680	9,000	Alexion Pharmaceuticals, Inc. * . . . . . 489,330
3,400	Warnaco Group, Inc. (The) * . . . . . 162,214	4,800	Allergan, Inc. . . . . . 313,536
9,400	Yum! Brands, Inc. . . . . . <u>360,302</u>	3,000	Cerner Corp. * . . . . . 255,180
	<b>4,820,700</b>	2,700	Covidien PLC . . . . . 135,756
<b>CONSUMER STAPLES (2.7%)</b>		3,000	Edwards Lifesciences Corp. * . . . . . 296,640
2,300	British American Tobacco PLC ADR . . . . . 158,470	3,000	Emergency Medical Services Corp. Class A * . . . . . 169,650
6,400	Church & Dwight Co., Inc. . . . . 428,480	12,400	Express Scripts, Inc. * . . . . . 1,261,824
13,300	Flowers Foods, Inc. . . . . . 329,042	4,600	Fresenius Medical Care AG & Co. KGaA ADR . . . . . 258,336
1,500	Green Mountain Coffee Roasters, Inc. * . . . . . 145,230	7,600	Gilead Sciences, Inc. * . . . . . 345,648
7,200	Hormel Foods Corp. . . . . . 302,472	5,700	Henry Schein, Inc. * . . . . . 335,730
5,000	TreeHouse Foods, Inc. * . . . . . <u>219,350</u>	7,000	IDEXX Laboratories, Inc. * . . . . 402,850
	<b>1,583,044</b>	2,800	Intuitive Surgical, Inc. * . . . . . 974,764
<b>ENERGY (3.4%)</b>		4,800	MAKO Surgical Corp. * . . . . . 64,704
3,000	Concho Resources, Inc. * . . . . . 151,080	7,600	Medco Health Solutions, Inc. * . . . . . 490,656
2,700	FMC Technologies, Inc. * . . . . . 174,501	1,000	MWI Veterinary Supply, Inc. * . . . . . 40,400
14,500	Range Resources Corp. . . . . . 679,615	6,750	Neogen Corp. * . . . . . 169,425
17,000	Southwestern Energy Co. * . . . . 692,240	2,000	Novo Nordisk A/S ADR . . . . . 154,240
7,000	Superior Energy Services, Inc. * . . . . . 147,140	8,000	Owens & Minor, Inc. . . . . . 371,120
5,000	World Fuel Services Corp. . . . . <u>133,200</u>	6,000	Teva Pharmaceutical Industries Ltd. ADR . . . . . 378,480
	<b>1,977,776</b>	7,000	Thermo Fisher Scientific, Inc. * . . . . . 360,080
<b>FINANCIALS (6.4%)</b>		7,000	Warner Chilcott PLC Class A * . . . 178,850
4,000	Affiliated Managers Group, Inc. * . . . . . 316,000	2,300	West Pharmaceutical Services, Inc. . . . . . 96,485
6,300	AFLAC, Inc. . . . . . 342,027		<b>7,543,684</b>

See Notes to Financial Statements.

March 31, 2010

Shares	Value	Shares	Value
<b>INDUSTRIALS (13.2%)</b>			
6,600 Acuity Brands, Inc. ....	\$ 278,586	2,500 Dolby Laboratories, Inc. Class A * .....	\$ 146,675
7,500 AMETEK, Inc. ....	310,950	2,500 Equinix, Inc. * .....	243,350
7,000 Bucyrus International, Inc. ....	461,930	6,500 Informatica Corp. * .....	174,590
3,000 C.H. Robinson Worldwide, Inc. ....	167,550	4,500 NCI, Inc. Class A * .....	136,035
6,400 Canadian National Railway Co. ....	387,776	4,500 Salesforce.com, Inc. * .....	335,025
7,000 Copart, Inc. * .....	249,200	2,000 Super Micro Computer, Inc. * ..	34,560
2,700 Danaher Corp. ....	215,757	5,000 Sybase, Inc. * .....	233,100
3,000 Donaldson Co., Inc. ....	135,360	4,300 SYNEX Corp. * .....	127,108
3,000 EnerSys * .....	73,980	5,000 Teradata Corp. * .....	144,450
5,300 Esterline Technologies Corp. * .....	261,979	3,000 VistaPrint NV * .....	<u>171,750</u>
3,500 Flowserve Corp. ....	385,945		<b>4,187,331</b>
5,000 ITT Corp. ....	268,050	<b>MATERIALS (5.8%)</b>	
11,400 Kansas City Southern * .....	412,338	4,000 Air Products & Chemicals, Inc.	295,800
4,400 Kirby Corp. * .....	167,860	10,000 Airgas, Inc. ....	636,200
3,500 L-3 Communications Holdings, Inc. ....	320,705	7,000 AptarGroup, Inc. ....	275,450
7,000 Lennox International, Inc. ....	310,240	8,000 Bway Holding Co. * .....	160,800
4,750 Moog, Inc. Class A * .....	168,245	7,000 Celanese Corp. Series A ....	222,950
5,000 Raytheon Co. ....	285,600	6,000 Crown Holdings, Inc. * .....	161,760
15,000 Republic Services, Inc. ....	435,300	2,100 Hawkins, Inc. ....	50,820
3,000 Rollins, Inc. ....	65,040	4,400 Lubrizol Corp. (The) ....	403,568
4,600 Roper Industries, Inc. ....	266,064	2,000 NewMarket Corp. ....	205,980
8,600 Stericycle, Inc. * .....	468,700	5,400 Praxair, Inc. ....	448,200
3,000 Toro Co. (The) ....	147,510	2,000 Schweitzer-Mauduit International, Inc. ....	95,120
2,500 TransDigm Group, Inc. ....	132,600	8,400 Sigma-Aldrich Corp. ....	<u>450,744</u>
5,000 United Technologies Corp. ....	368,050		<b>3,407,392</b>
3,000 URS Corp. * .....	148,830	<b>TELECOMMUNICATION SERVICES (2.5%)</b>	
3,200 W.W. Grainger, Inc. ....	345,984	12,000 American Tower Corp. Class A * .....	511,320
10,500 Waste Connections, Inc. * .....	356,580	9,000 Crown Castle International Corp. * .....	344,070
5,600 Woodward Governor Co. ....	<u>179,088</u>	12,000 SBA Communications Corp. Class A * .....	432,840
	<b>7,775,797</b>	3,000 Telefonica S.A. ADR .....	<u>213,300</u>
			<b>1,501,530</b>
<b>INFORMATION TECHNOLOGY (7.1%)</b>		<b>UTILITIES (0.9%)</b>	
3,000 Accenture PLC Class A .....	125,850	3,000 ITC Holdings Corp. ....	165,000
14,000 Amphenol Corp. Class A .....	590,660	3,000 Questar Corp. ....	129,600
15,000 ANSYS, Inc. * .....	647,100	2,600 South Jersey Industries, Inc. ..	109,174
9,000 Atheros Communications, Inc. * .....	348,390	3,000 Wisconsin Energy Corp. ....	<u>148,230</u>
4,000 Check Point Software Technologies Ltd. * .....	140,240		<b>552,004</b>
4,000 Cognizant Technology Solutions Corp. Class A * .....	203,920	<b>TOTAL COMMON STOCKS (1) (Cost \$24,923,199) (63.0%)</b>	
8,000 Concur Technologies, Inc. * .....	328,080		<b>37,141,058</b>
3,200 CyberSource Corp. * .....	56,448		

See Notes to Financial Statements.

# Schedule of Investments

Principal Amount	Value	Principal Amount	Value
<b>U.S. GOVERNMENT AGENCY OBLIGATIONS (16.3%)</b>		<b>U.S. TREASURY OBLIGATIONS (1.7%)</b>	
\$1,000,000	Federal Home Loan Banks, 1.38%, 5/16/11 .....		<b>U.S. TREASURY NOTES &amp; BONDS (1.7%)</b>
	\$ 1,008,110	\$1,000,000	U.S. Treasury Notes, 1.13%, 6/30/11 .....
2,000,000	Federal Home Loan Banks, 2.00%, 7/27/12 .....		<b>\$ 1,007,266</b>
	2,008,282		<b>TOTAL U.S. TREASURY OBLIGATIONS (2) (Cost \$1,001,410) (1.7%) .....</b>
1,000,000	Federal Home Loan Mortgage Corp., 2.25%, 7/16/12 .....		<b>1,007,266</b>
	1,004,345		<b>TOTAL INVESTMENT SECURITIES (88.6%) (Cost \$39,360,196) .....</b>
1,037,834	Federal Home Loan Mortgage Corp., 4.50%, 6/15/23 .....		<b>52,203,038</b>
	1,076,130		<b>SHORT-TERM INVESTMENTS (11.0%)</b>
939,169	Federal Home Loan Mortgage Corp., 4.50%, 10/15/27 .....		<b>REPURCHASE AGREEMENTS (11.0%)</b>
	979,192	6,500,000	With Morgan Stanley, 0.00%, dated 03/31/10, due 04/01/10, delivery value \$6,500,000 (collateralized by \$6,615,000 U.S. Treasury Notes 2.3750%, due 08/31/14, with a value of \$6,645,806) .....
421,411	Federal Home Loan Mortgage Corp., Gold PC Pool# J03316, 5.00%, 9/1/21 .....		<b>6,500,000</b>
	446,816		<b>TOTAL SHORT-TERM INVESTMENTS (2) (Cost \$6,500,000) (11.0%) .....</b>
1,000,000	Federal National Mortgage Association, 2.05%, 7/30/12 .....		<b>6,500,000</b>
	1,003,068		<b>CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (0.4%) .....</b>
1,189,882	Federal National Mortgage Association, 5.00%, 11/1/34 .....		<b>250,018</b>
	1,232,739		<b>NET ASSETS (100%) .....</b>
806,149	Government National Mortgage Association, 5.50%, 1/15/36 .....		<b>\$ 58,953,056</b>
	856,127		<b>NET ASSET VALUE OFFERING AND REDEMPTION PRICE, PER OUTSTANDING SHARE (\$58,953,056 ÷ 3,284,849 shares outstanding) .....</b>
	<b>TOTAL U.S. GOVERNMENT AGENCY OBLIGATIONS (2) (Cost \$9,418,268) (16.3%) ..</b>		<b>\$ 17.95</b>
	<b>9,614,809</b>		<i>* Non-income producing.</i>
			(1) <i>Unless otherwise indicated, the values of the Portfolio are determined based on Level 1 inputs established by FASB ASC 820-10, Fair Value Measurement and Disclosures.</i>
			(2) <i>Values determined based on Level 2 inputs established by FASB ASC 820-10, Fair Value Measurements and Disclosures.</i>
			<i>ADR American Depositary Receipt.</i>
<b>CORPORATE BONDS &amp; NOTES (7.6%)</b>			
	<b>BASIC MATERIALS (1.7%)</b>		
1,000,000	EI du Pont de Nemours & Co., 3.25%, 1/15/15 .....		
	<b>1,006,087</b>		
	<b>COMMUNICATIONS (4.0%)</b>		
1,000,000	BellSouth Corp., 5.20%, 9/15/14 .....		
	1,077,453		
1,000,000	Verizon Communications, Inc., 8.75%, 11/1/18 .....		
	1,254,510		
	<b>2,331,963</b>		
	<b>CONSUMER, NON-CYCLICAL (1.9%)</b>		
1,000,000	Pfizer, Inc., 5.35%, 3/15/15 .....		
	<b>1,101,855</b>		
	<b>TOTAL CORPORATE BONDS &amp; NOTES (2) (Cost \$4,017,319) (7.6%) .....</b>		
	<b>4,439,905</b>		

See Notes to Financial Statements.

**Statement of Assets and Liabilities  
at March 31, 2010**

<b>Assets:</b>	
Investment securities, at value	
(Cost - \$39,360,196) .....	\$ 52,203,038
Repurchase agreement	
(Cost - \$6,500,000) .....	6,500,000
Cash .....	174,108
Receivable for securities sold .....	233,763
Interest and dividends receivable .....	120,173
Receivable from advisor .....	32,163
Prepaid expenses .....	13,560
Receivable for capital shares sold .....	3,523
<b>Total Assets</b> .....	<u>59,280,328</u>
<b>Liabilities:</b>	
Payable for capital shares redeemed .....	242,624
Accrued expenses:	
Advisory fee .....	33,085
Service and distribution plan fees .....	7,690
Other .....	43,873
<b>Total Liabilities</b> .....	<u>327,272</u>
<b>Net Assets</b> .....	<u>\$ 58,953,056</u>
<b>Net assets consist of:</b>	
Capital stock, at \$0.001 par value	
(authorized 300,000,000, outstanding	
3,284,849 shares) .....	\$ 3,285
Additional paid-in capital .....	50,637,540
Undistributed net investment income .....	278,187
Accumulated net realized loss on	
investments and foreign currency .....	(4,808,798)
Net unrealized appreciation of	
investments .....	<u>12,842,842</u>
<b>Net Assets</b> .....	<u>\$ 58,953,056</u>
<b>Net Asset Value, Offering and Redemption</b>	
<b>Price per Outstanding Share</b>	
<b>(\$58,953,056 ÷ 3,284,849 shares</b>	
<b>outstanding)</b> .....	<u>\$ 17.95</u>

**Statement of Operations  
for the Year Ended March 31, 2010**

<b>Investment Income:</b>	
Interest .....	\$ 567,111
Dividends (net of foreign withholding	
tax of \$10,709) .....	464,608
<b>Total Income</b> .....	<u>1,031,719</u>
<b>Expenses:</b>	
Advisory fee .....	421,689
Service and distribution plan fees .....	162,188
Custodian fees .....	65,822
Printing and postage .....	65,139
Registration and filing fees .....	38,292
Transfer agent fees .....	33,430
Auditing and legal fees .....	30,613
Insurance .....	8,550
Directors' fees and expenses .....	5,568
Other .....	20,558
<b>Total Expenses Before Custody</b>	
Credits and Fees Waived .....	851,849
Less: Legal Fee Reimbursement .....	(33,266)
Less: Service and Distribution	
Plan Fees Waived .....	(64,844)
Less: Custody Credits .....	(61)
Net Expenses .....	<u>753,678</u>
<b>Net Investment Income</b> .....	<u>278,041</u>
<b>Net Realized and Unrealized</b>	
<b>Gain/(Loss) on Investments and</b>	
<b>Foreign Exchange Transactions:</b>	
Net Realized Loss .....	(28,767)
Change in Net Unrealized	
Appreciation/(Depreciation) .....	<u>17,658,751</u>
<b>Net Realized Loss and Change in Net</b>	
<b>Unrealized Appreciation/(Depreciation)</b>	
<b>on Investments and Foreign</b>	
<b>Exchange Transactions</b> .....	
	<u>17,629,984</u>
<b>Net Increase in Net Assets from</b>	
<b>Operations</b> .....	<u>\$ 17,908,025</u>

See Notes to Financial Statements.

**Statement of Changes in Net Assets  
for the Years Ended March 31, 2010 and 2009**

	Year Ended March 31, 2010	Year Ended March 31, 2009
<b>Operations:</b>		
Net investment income . . . . .	\$ 278,041	\$ 509,331
Net realized loss on investments and foreign currency . . . . .	(28,767)	(4,788,120)
Change in net unrealized appreciation/(depreciation) . . . . .	17,658,751	(32,422,421)
<b>Net increase/(decrease) in net assets from operations . . . . .</b>	<b>17,908,025</b>	<b>(36,701,210)</b>
<b>Distributions to Shareholders:</b>		
Net investment income . . . . .	(500,935)	(323,833)
Net realized gain from investment transactions . . . . .	—	(2,266,278)
<b>Total Distributions . . . . .</b>	<b>(500,935)</b>	<b>(2,590,111)</b>
<b>Capital Share Transactions:</b>		
Proceeds from sale of shares . . . . .	2,128,177	10,553,258
Proceeds from reinvestment of dividends and distributions to shareholders . . . . .	479,768	2,520,828
Cost of shares redeemed . . . . .	(25,004,785)	(45,745,544)
<b>Net decrease in net assets from capital share transactions . . . . .</b>	<b>(22,396,840)</b>	<b>(32,671,458)</b>
<b>Total Decrease in Net Assets . . . . .</b>	<b>(4,989,750)</b>	<b>(71,962,779)</b>
<b>Net Assets:</b>		
Beginning of year . . . . .	63,942,806	135,905,585
End of year . . . . .	\$ 58,953,056	\$ 63,942,806
<b>Undistributed net investment income, at end of year . . . . .</b>	<b>\$ 278,187</b>	<b>\$ 501,008</b>

See Notes to Financial Statements.

# Notes to Financial Statements

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## 1. Significant Accounting Policies

Value Line Asset Allocation Fund, Inc., (the “Fund”) is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company which seeks to achieve a high total investment return consistent with reasonable risk by investing primarily in a broad range of common stocks, bonds and money market instruments. The Fund will attempt to achieve its objective by following an asset allocation strategy, based on data derived from computer models for the stock and bond markets, that shifts the assets of the Fund among equity, debt and money market securities as the models indicate and its investment adviser, EULAV Asset Management, LLC (the “Adviser”), deems appropriate.

The following significant accounting policies are in conformity with generally accepted accounting principles for investment companies. Such policies are consistently followed by the Fund in the preparation of its financial statements. Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

**(A) Security Valuation:** Securities listed on a securities exchange are valued at the closing sales prices on the date as of which the net asset value is being determined. Securities traded on the NASDAQ Stock Market are valued at the NASDAQ Official Closing Price. In the absence of closing sales prices for such securities and for securities traded in the over-the-counter market, the security is valued at the midpoint between the latest available and representative asked and bid prices. Short-term instruments with maturities of 60 days or less at the date of purchase are valued at amortized cost, which approximates market value. Short-term instruments with maturities greater than 60 days at the date of purchase are valued at the midpoint between the latest available and representative asked and bid prices, and commencing 60

days prior to maturity such securities are valued at amortized cost. Securities for which market quotations are not readily available or that are not readily marketable and all other assets of the Fund are valued at fair value as the Board of Directors may determine in good faith. In addition, the Fund may use the fair value of a security when the closing market price on the primary exchange where the security is traded no longer accurately reflects the value of a security due to factors affecting one or more relevant securities markets or the specific issuer.

**(B) Fair Value Measurements:** In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820-10), Fair Value Measurements and Disclosures, (formerly Statement of Financial Accounting Standards (“SFAS”) No. 157), the Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). FASB ASC 820-10-35-39 to 55 provides three levels of the fair value hierarchy as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3 – Inputs that are unobservable.

During the year ended March 31, 2010, the Fund adopted the authoritative guidance included in FASB ASC 820-10, Fair Value Measurements and Disclosures, on determining fair value when the volume and level of

March 31, 2010

activity for the asset or liability have significantly decreased and identifying transactions that are not orderly (formerly FSP FAS 157-4). FASB ASC 820-10-35-51A to 51H indicates that if an entity determines that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value.

Valuation techniques such as an income approach might be appropriate to supplement or replace a market approach in those circumstances. It provides a list of factors to determine whether there has been a significant decrease in relation to normal market activity. Regardless, however, of the valuation technique and inputs used, the objective for the fair value measurement in those circumstances is unchanged from what it would be if markets were operating at normal activity levels and/or transactions were orderly; that is, to determine the current exit price as promulgated by FASB ASC 820-10.

The following is a summary of the inputs used as of March 31, 2010 in valuing the Fund's investments carried at value:

Investments in Securities:	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common				
Stocks . . . . .	\$37,141,058	\$ 0	\$ 0	\$37,141,058
U.S. Government Agency Obligations . . . . .	0	9,614,809	0	9,614,809
Corporate Bonds & Notes . . . . .	0	4,439,905	0	4,439,905
U.S. Treasury Obligations . . . . .	0	1,007,266	0	1,007,266
Short - Term Investments . . . . .	0	6,500,000	0	6,500,000
<b>Total Investments in Securities . . . . .</b>	<b>\$ 37,141,058</b>	<b>\$ 21,561,980</b>	<b>\$ 0</b>	<b>\$ 58,703,038</b>

For the year ended March 31, 2010, there were no Level 3 investments. The types of inputs used to value each security are identified in the Schedule of Investments, which also includes a breakdown of the Schedule's investments by category.

**(C) Repurchase Agreements:** In connection with transactions in repurchase agreements, the Fund's custodian takes possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, it is the Fund's policy to mark-to-market the collateral on a daily basis to ensure the adequacy of the collateral. In the event of default of the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

**(D) Federal Income Taxes:** It is the policy of the Fund to qualify as a regulated investment company by complying with the provisions available to regulated investment companies, as defined in applicable sections of the Internal Revenue Code, and to distribute all of its investment income and capital gains to its shareholders. Therefore, no provision for federal income tax is required.

**(E) Security Transactions and Distributions:** Security transactions are accounted for on the date the securities are purchased or sold. Interest income is accrued as earned. Realized gains and losses on sales of securities are calculated for financial accounting and federal income tax purposes on the identified cost basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Distributions are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles.

**(F) Foreign Currency Translation:** The books and records of the Fund are maintained in U.S. dollars. Assets and liabilities which are denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange. The Fund does not isolate changes in the value of investments caused by foreign exchange rate differences from the changes due to other circumstances.

## Notes to Financial Statements

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Income and expenses are translated to U.S. dollars based upon the rates of exchange on the respective dates of such transactions.

Net realized foreign exchange gains or losses arise from currency fluctuations realized between the trade and settlement dates on securities transactions, the differences between the U.S. dollar amounts of dividends, interest, and foreign withholding taxes recorded by the Fund, and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, other than investments, at the end of the fiscal period, resulting from changes in the exchange rates.

The effect of the change in foreign exchange rates on the value of investments is included in realized gain/loss on investments and change in net unrealized appreciation/depreciation on investments.

**(G) Representations and Indemnifications:** In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

**(H) Accounting for Real Estate Investment Trusts:** The Fund may own shares of Real Estate Investment Trusts ("REITs") which report information on the source of their distributions annually. Distributions received from REITs during the year which represent a return of capital are recorded as a reduction of cost and distributions which represent a capital gain dividend are recorded as a realized long-term capital gain on investments.

**(I) Foreign Taxes:** The Fund may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable,

based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

**(J) Other:** On November 4, 2009, the Securities and Exchange Commission ("SEC"), Value Line, Inc. ("VLI"), Value Line Securities, Inc. currently, EULAV Securities, Inc. ("ESI" or the "Distributor"), Jean B. Buttner, former Chairman, President and Chief Executive Officer of VLI and David Henigson, a former Director and Officer of VLI, settled a matter related to brokerage commissions charged by ESI to certain Value Line mutual funds ("Funds") from 1986 through November of 2004. The matter also involved alleged misleading disclosures provided by VLI to the Board of Directors/Trustees and shareholders of the Funds regarding such brokerage commissions. VLI agreed to pay disgorgement in the amount of \$24,168,979 (representing disgorgement of commissions received), prejudgment interest of \$9,536,786, and a civil penalty in the amount of \$10,000,000. Also as part of the settlement, Mrs. Buttner and Mr. Henigson each agreed to pay a civil penalty, are barred from association with any broker, dealer or investment adviser, and are prohibited from serving as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter, subject to a limited exception (limited in scope and for a one-year period) for Mrs. Buttner. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a fund will be created for VLI's disgorgement, interest and penalty ("Fair Fund"). VLI will bear all costs associated with any Fair Fund distribution, including retaining a third-party consultant approved by the SEC staff to administer any Fair Fund distribution. VLI informed the Funds' Board that it has paid the settlement, continues to have adequate liquid assets, and that the resolution of this matter will not have a materially adverse effect on the ability of EULAV Asset Management LLC ("EULAV" or the "Adviser"), the

# March 31, 2010

Funds' investment adviser, or ESI, the Funds' distributor, to perform their respective contracts with the Funds.

On March 11, 2010, VLI and the Boards of Trustees/Directors of the Value Line Funds entered into an agreement pursuant to which VLI will reimburse the Funds in the aggregate amount of \$917,302 for various expenses incurred by the Funds in connection with the SEC matter referred to above. The receivable for this expense reimbursement was accrued on March 11, 2010 by the applicable Funds that incurred the expenses and will be paid by VLI in twelve monthly installments commencing April 1, 2010. The Fund accrued \$33,266 in expense reimbursements from VLI.

**(K) Subsequent Events:** Management has evaluated all subsequent transactions and events through the date on which these financial statements were issued, and except as already included in the notes to these financial statements, has determined that no additional items require disclosure.

## 2. Capital Share Transactions

Transactions in capital stock were as follows:

	Year Ended March 31, 2010	Year Ended March 31, 2009
Shares sold . . . . .	131,162	542,267
Shares issued to shareholders in reinvestment of dividends and distributions . . .	27,748	176,529
Shares redeemed . . . . .	(1,517,828)	(2,765,153)
Net decrease . . . . .	<u>(1,358,918)</u>	<u>(2,046,357)</u>
Dividends per share from net investment income . . . . .	<u>\$ 0.1390</u>	<u>\$ 0.0681</u>
Dividends per share from net realized gains . .	<u>\$ —</u>	<u>\$ 0.4765</u>

## 3. Purchases and Sales of Securities

Purchases and sales of securities, excluding short-term investments, were as follows:

	Year Ended March 31, 2010
<b>Purchases:</b>	
U.S. Government Agency Obligations . . . . .	\$ 8,419,397
Other Investment Securities . . . . .	7,880,928
<b>Total Purchases</b> . . . . .	<u>\$ 16,300,325</u>
<b>Sales:</b>	
U.S. Government Agency Obligations . . . . .	\$ 1,000,000
Other Investment Securities . . . . .	38,532,242
<b>Total Sales</b> . . . . .	<u>\$ 39,532,242</u>

## 4. Income Taxes

At March 31, 2010, information on the tax components of capital is as follows:

Cost of investments for tax purposes . . . . .	\$ 45,860,245
Gross tax unrealized appreciation . . . . .	13,304,387
Gross tax unrealized depreciation . . . . .	(461,594)
Net tax unrealized appreciation on investments . . . . .	<u>\$ 12,842,793</u>
Undistributed ordinary income . . . . .	<u>\$ 278,205</u>
Capital loss carryforward, expires March 31, 2017 . . . . .	<u>\$ (448,020)</u>
Capital loss carryforward, expires March 31, 2018 . . . . .	<u>\$ (4,360,729)</u>

During the year ended March 31, 2010, as permitted under federal income tax regulations, the Fund elected to defer \$18 of post-October net currency losses to the next taxable year.

To the extent that current or future capital gains are offset by capital losses, the Fund does not anticipate distributing any such gains to shareholders.

## Notes to Financial Statements

It is uncertain whether the Fund will be able to realize the benefits of the capital losses before they expire.

Net unrealized gain (loss) differs for financial statement purposes primarily due to differing treatments of wash sales.

Permanent book-tax differences relating to the classification of income in the current year were reclassified within the composition of the net asset accounts. The Fund increased undistributed net investment income by \$73, decreased accumulated net realized gain on investments by \$138 and increased additional paid-in-capital by \$65. These reclassifications were primarily due to differing treatments of foreign currency gain/losses for tax purposes. Net assets were not affected by this reclassification.

The tax composition of dividends paid during the years ended March 31, 2010 and March 31, 2009 is as follows:

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Ordinary income . . . . .	\$ 500,935	\$ 323,809
Long-term capital gains	—	2,266,302
	<u>\$ 500,935</u>	<u>\$ 2,590,111</u>

### 5. Investment Advisory Fee, Service and Distribution Fees and Transactions With Affiliates

An advisory fee of \$421,689 was paid or payable to EULAV Asset Management, LLC (the “Adviser”) for the year ended March 31, 2010. The fee was computed at an annual rate of 0.65% of the daily net assets during the period and paid monthly. The Adviser provides research, investment programs, and supervision of the investment portfolio and pays costs of certain administrative services and office space. The Adviser also provides persons, satisfactory to the Fund’s Board of Directors, to act as officers of the Fund and pays their salaries.

The Fund has a Service and Distribution Plan (the “Plan”), adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, which compensates EULAV Securities, Inc. (the “Distributor”) for advertising, marketing and distributing the Fund’s shares and for servicing the Fund’s shareholders at an annual rate of 0.25% of the Fund’s average daily net assets. For the year ended March 31, 2010, fees amounting to \$162,188 before fee waivers, were accrued under the Plan. Effective February 28, 2009, the Distributor contractually agreed to waive 0.10% of the Fund’s 12b-1 fee for the period March 1, 2009 to July 31, 2010. Effective March 11, 2010, the Distributor contractually agreed to waive 0.10% of the Fund’s 12b-1 fee for the period March 1, 2010 to July 31, 2011. For the year ended March 31, 2010, the fees waived amounted to \$64,844. The Distributor has no right to recoup prior waivers.

For the year ended March 31, 2010, the Fund’s expenses were reduced by \$61 under a custody credit arrangement with the custodian.

Direct expenses of the Fund are charged to the Fund while common expenses of the Value Line Funds are allocated proportionately based upon the Funds’ respective net assets. The Fund bears all other costs and expenses.

Certain officers, employees and directors of Value Line and affiliated companies are also officers and a director of the Fund. Value Line, and/or affiliated companies and the Value Line Profit Sharing and Savings Plan at March 31, 2010 owned 86,008 shares of the Fund’s capital stock, representing 2.62% of the outstanding shares. In addition, the officers and director of the Fund as a group owned 938 shares, which represents less than 1% of the outstanding shares.

# Financial Highlights

## Selected data for a share of capital stock outstanding throughout each year:

	Years Ended				
	2010	2009	2008	2007	2006
<b>Net asset value, beginning of year</b> .....	\$ 13.77	\$ 20.31	\$ 21.54	\$ 22.11	\$ 20.48
<b>Income from investment operations:</b>					
Net investment income .....	0.12	0.13	0.13	0.19	0.11
Net gains or (losses) on securities (both realized and unrealized) .....	4.20	(6.13)	0.45	0.77	3.37
Total from investment operations .....	4.32	(6.00)	0.58	0.96	3.48
<b>Less distributions:</b>					
Dividends from net investment income .....	(0.14)	(0.07)	(0.17)	(0.16)	(0.09)
Distributions from net realized gains .....	—	(0.47)	(1.64)	(1.37)	(1.76)
Total distributions .....	(0.14)	(0.54)	(1.81)	(1.53)	(1.85)
<b>Net asset value, end of year</b> .....	\$ 17.95	\$ 13.77	\$ 20.31	\$ 21.54	\$ 22.11
<b>Total return</b> .....	31.40%	(29.62)%	2.18%	4.62%	17.61%
<b>Ratios/Supplemental Data:</b>					
Net assets, end of year (in thousands) .....	\$ 58,953	\$ 63,943	\$135,906	\$ 130,214	\$142,394
Ratio of expenses to average net assets <sup>(1)</sup> .....	1.31%	1.19%	1.10%	1.11%	1.14%
Ratio of expenses to average net assets <sup>(2)</sup> .....	1.16%	1.17%	1.09%	1.11%	1.14%
Ratio of net investment income to average net assets .....	0.43%	0.49%	0.61%	0.82%	0.52%
Portfolio turnover rate .....	30%	20%	25%	37%	45%

- (1) Ratio reflects expenses grossed up for custody credit arrangement and grossed up for the waiver of a portion of the service and distribution plan fees by the Distributor and the reimbursement of a portion of the legal fees. The ratio of expenses to average net assets, net of custody credits, but exclusive of the waiver of a portion of the service and distribution plan fees by the Distributor and the reimbursement of a portion of the legal fees, would have been 1.18% and 1.09% for the years ended March 31, 2009 and 2008, respectively, and would have been unchanged for the other years shown.
- (2) Ratio reflects expenses net of the custody credit arrangement, net of the waiver of a portion of the service and distribution plan fees by the Distributor and the reimbursement of a portion of the legal fees.

## Report of Independent Registered Public Accounting Firm

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### To the Board of Directors and Shareholders of Value Line Asset Allocation Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Value Line Asset Allocation Fund, Inc. (the “Fund”) at March 31, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our

audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at March 31, 2010 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York

May 28, 2010

## Federal Tax Notice (unaudited)

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During the year ended March 31, 2010, the Fund paid dividends to shareholders of \$0.1390 per share from net investment income. For corporate taxpayers, 72.45% of the ordinary income distributions paid during the fiscal year ended March 31, 2010 qualify for the corporate dividends received deductions. During the fiscal year ended March 31, 2010, 100% of the ordinary income distributions are treated as qualified dividends.

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Forms N-Q are available on the SEC’s website at <http://www.sec.gov> and may be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the Fund voted these proxies for the 12-month period ended June 30 is available through the Fund’s website at <http://www.vlfunds.com> and on the SEC’s website at <http://www.sec.gov>. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-243-2729.

# Management of the Fund

## MANAGEMENT INFORMATION

The business and affairs of the Fund are managed by the Fund’s officers under the direction of the Board of Directors. The following table sets forth information on each Director and Officer of the Fund. Each Director serves as a director or trustee of each of the 14 Value Line Funds. Each Director serves until his or her successor is elected and qualified.

<b>Name, Address, and DOB</b>	<b>Position</b>	<b>Length of Time Served</b>	<b>Principal Occupation During the Past 5 Years</b>	<b>Other Directorships Held by Director</b>
<b>Interested Director*</b>				
Thomas T. Sarkany DOB: June 1946	Director	Since 2008	Mutual Fund Marketing Director of EULAV Securities, Inc. (the “Distributor”), Secretary of Value Line, Inc. since November 2009 and Director since February 2010.	Value Line, Inc.
<b>Non-Interested Directors</b>				
Joyce E. Heinzerling 500 East 77th Street New York, NY 10162 DOB: January 1956	Director	Since 2008	President, Meridian Fund Advisers LLC. (consultants) since April 2009; General Counsel, Archery Capital LLC (private investment fund) until April 2009.	Burnham Investors Trust, since 2004 (4 funds).
Francis C. Oakley 54 Scott Hill Road Williamstown, MA 01267 DOB: October 1931	Director	Since 2000	Professor of History, Williams College, (1961-2002). Professor Emeritus since 2002; President Emeritus since 1994 and President, (1985-1994); Chairman (1993-1997) and Interim President (2002-2003) of the American Council of Learned Societies. Trustee since 1997 and Chairman of the Board since 2005, National Humanities Center.	None
David H. Porter 5 Birch Run Drive Saratoga Springs, NY 12866 DOB: October 1935	Director	Since 1997	Professor, Skidmore College since 2008; Visiting Professor of Classics, Williams College, (1999-2008); President Emeritus, Skidmore College since 1999 and President, (1987-1998).	None
Paul Craig Roberts 169 Pompano St. Panama City Beach, FL 32413 DOB: April 1939	Director	Since 1996	Chairman, Institute for Political Economy.	None
Nancy-Beth Sheerr 1409 Beaumont Drive Gladwyne, PA 19035 DOB: March 1949	Director	Since 1996	Senior Financial Adviser, Veritable L.P. (Investment adviser).	None

# Management of the Fund

Name, Address, and DOB	Position	Length of Time Served	Principal Occupation During the Past 5 Years	Other Directorships Held by Director
Daniel S. Vandivort 59 Indian Head Road Riverside, CT 06878 DOB: July 1954	Director (Chairman of Board since March 2010)	Since 2008	President, Chief Investment Officer, Weiss, Peck and Greer/Robeco Investment Management 2005-2007; Managing Director, Weiss, Peck and Greer, 1995-2005.	None
<b>Officers</b>				
Mitchell E. Appel DOB: August 1970	President	Since 2008	President of each of the Value Line Funds since June 2008; Chief Financial Officer of Value Line since April 2008 and from September 2005 to November 2007; Treasurer from June 2005 to September 2005; Director since February 2010; Chief Financial Officer of XTF Asset Management from November 2007 to April 2008; Chief Financial Officer of Circle Trust Company from 2003 through May 2005; Chief Financial Officer of the Distributor since April 2008 and President since February 2009; President of the Adviser since February 2009.	
Howard A. Brecher DOB: October 1953	Vice President and Secretary	Since 2008	Vice President and Secretary of each of the Value Line Funds since June 2008; Vice President and Secretary of Value Line until November 2009; Director of Value Line; Acting Chairman and Acting CEO of Value Line since November 2009; Secretary and Treasurer of the Adviser since February 2009; Vice President, Secretary, Treasurer, General Counsel and a Director of Arnold Bernhard & Co., Inc.	
Michael J. Wagner DOB: November 1950	Chief Compliance Officer	Since 2009	Chief Compliance Officer of each of the Value Line Funds since June 2009; President, Northern Lights Compliance Services, LLC, since 2006; Compliance Services Officer, Northstar Financial Services, LLC, 2006 to January 2008; Chief Operating Officer, Northern Lights Compliance Services, LLC, 2004 to 2006; President and Manager, Gemini Fund Services, LLC, 2004 to 2006; Director of Constellation Trust Company, 2004 to 2008.	
Emily D. Washington DOB: January 1979	Treasurer	Since 2008	Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer) of each of the Value Line Funds since August 2008; Associate Director of Mutual Fund Accounting at Value Line until August 2008.	

\* *Mr. Sarkany is an "interested person" as defined in the Investment Company Act of 1940 by virtue of his position with the Distributor.*

*Unless otherwise indicated, the address for each of the above officers is c/o Value Line Funds, 220 East 42<sup>nd</sup> Street, New York, NY 10017.*

The Fund's Statement of Additional Information (SAI) includes additional information about the Fund's Directors and is available, without charge, upon request by calling 1-800-243-2729.

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## The Value Line Family of Funds

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**1950 — The Value Line Fund** seeks long-term growth of capital. Current income is a secondary objective.

**1952 — Value Line Income and Growth Fund's** primary investment objective is income, as high and dependable as is consistent with reasonable risk. Capital growth to increase total return is a secondary objective.

**1956 — Value Line Premier Growth Fund** seeks long-term growth of capital. No consideration is given to current income in the choice of investments.

**1972 — Value Line Larger Companies Fund's** sole investment objective is to realize capital growth.

**1979 — Value Line U.S. Government Money Market Fund\*\***, a money market fund, seeks to secure as high a level of current income as is consistent with maintaining liquidity and preserving capital. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

**1981 — Value Line U.S. Government Securities Fund** seeks maximum income without undue risk to capital. Under normal conditions, at least 80% of the value of its net assets will be invested in securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities.

**1983 — Value Line Centurion Fund\*** seeks long-term growth of capital.

**1984 — The Value Line Tax Exempt Fund** seeks to provide investors with the maximum income exempt from federal income taxes while avoiding undue risk to principal. The fund may be subject to state and local taxes and the Alternative Minimum Tax (if applicable).

**1985 — Value Line Convertible Fund** seeks high current income together with capital appreciation primarily from convertible securities ranked 1, 2 or 3 for the year-ahead performance by the Value Line Convertible Ranking System.

**1986 — Value Line Aggressive Income Trust** seeks to maximize current income.

**1987 — Value Line New York Tax Exempt Trust** seeks to provide New York taxpayers with the maximum income exempt from New York State, New York City and federal income taxes while avoiding undue risk to principal. The Trust may be subject to state and local taxes and the Alternative Minimum Tax (if applicable).

**1987 — Value Line Strategic Asset Management Trust\*** seeks to achieve a high total investment return consistent with reasonable risk.

**1993 — Value Line Emerging Opportunities Fund** invests in US common stocks of small capitalization companies, with its primary objective being long-term growth of capital.

**1993 — Value Line Asset Allocation Fund** seeks high total investment return, consistent with reasonable risk. The Fund invests in stocks, bonds and money market instruments utilizing quantitative modeling to determine the asset mix.

\* Only available through the purchase of Guardian Investor, a tax deferred variable annuity, or ValuePlus, a variable life insurance policy.

\*\* Effective August 19, 2009, The Value Line Cash Fund, Inc. changed its name to the Value Line U.S. Government Money Market Fund, Inc.

For more complete information about any of the Value Line Funds, including charges and expenses, send for a prospectus from EULAV Securities, Inc., 220 East 42nd Street, New York, New York 10017-5891 or call 1-800-243-2729, 9am–5pm CST, Monday–Friday, or visit us at [www.vlfunds.com](http://www.vlfunds.com). Read the prospectus carefully before you invest or send money.