

Edgar Filing: Value Line Mid Cap Focused Fund, Inc. - Form N-CSR

Value Line Mid Cap Focused Fund, Inc.  
Form N-CSR  
March 11, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file Number 811-02265

Value Line Mid Cap Focused Fund, Inc.

(Exact name of registrant as specified in charter)

7 Times Square, New York, N.Y. 10036

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 212-907-1900

Date of fiscal year end: December 31, 2018

Date of reporting period: December 31, 2018

Item 1. Reports to Stockholders

A copy of the Annual Report to Stockholders for the period ended 12/31/18 is included with this Form.

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Annual Report  
December 31, 2018

Value Line Premier Growth Fund, Inc.  
(VALSX)

Value Line Mid Cap Focused Fund, Inc.  
Investor Class (VLIFX)

Institutional Class (VLMIX)

Value Line Capital Appreciation Fund, Inc.  
(Formerly Value Line Income and Growth Fund, Inc.)

Investor Class (VALIX)

Institutional Class (VLIX)

Value Line Larger Companies Focused Fund, Inc.

Investor Class (VALLX)

Institutional Class (VLLIX)

Beginning May 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website ([www.vlfunds.com](http://www.vlfunds.com)), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change, and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically anytime by contacting your financial intermediary (such as a broker-dealer or bank) or if you are a direct investor, by signing up for e-delivery (800-243-2729).

Beginning May 1, 2019, you may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper

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copies of your shareholder reports. If you invest directly with the Fund, you can contact the Fund to continue receiving paper copies of your shareholder reports (800-243-2729). Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all the funds held with the fund complex if you invest directly with the Fund.

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).

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President's Letter (unaudited)

Dear Fellow Shareholders:

We are pleased to present you with this annual report for Value Line Premier Growth Fund, Inc., Value Line Mid Cap Focused Fund, Inc., Value Line Capital Appreciation Fund, Inc. and Value Line Larger Companies Focused Fund, Inc. (individually, a "Fund" and collectively, the "Funds") for the 12 months ended December 31, 2018.

During the annual period, virtually all broad U.S. equity indices generated negative absolute returns. However, notably, three of the four Funds posted positive absolute returns during the annual period and significantly outperformed their respective benchmark index on a relative basis. Further, the annual period was highlighted by each of the four equity and hybrid Value Line Funds being recognized for its long-term performance and/or attractive risk profiles.

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Value Line Premier Growth Fund, Inc.\* outpaced the category average return of its peers for the one-, three-, five- and ten-year periods ended December 31, 2018 (mid-cap growth category), as measured by Morningstar.<sup>1</sup> Additionally, the Fund earned an overall four-star rating from Morningstar<sup>2</sup> in the mid-cap growth category among 542 funds as of December 31, 2018. Morningstar gave the Fund an overall Risk Rating of Low.<sup>2(i)</sup>

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Value Line Mid Cap Focused Fund, Inc.\* outpaced the category average return of its peers for the one-, three- and five-year periods ended December 31, 2018 (mid-cap growth category), as measured by Morningstar,<sup>1</sup> ranking in the top 8% or better of its peer category in each of those time periods. Additionally, the Fund earned an overall five-star rating from Morningstar<sup>2</sup> in the mid-cap growth category among 542 funds as of December 31, 2018. Morningstar gave the Fund an overall Risk Rating of Low.<sup>2(ii)</sup>

•

Value Line Capital Appreciation Fund, Inc. (formerly Value Line Income and Growth Fund, Inc.)\* outpaced the category average return of its peers for the one-, three- and five-year periods ended December 31, 2018 (allocation-70% to 85% equity category), as measured by Morningstar,<sup>1</sup> ranking in the top 6% or better of its peer category in each of those time periods. Additionally, the Fund earned an overall four-star rating from Morningstar<sup>2</sup> in the allocation-70% to 85% equity category among 322 funds as of December 31, 2018 based on risk-adjusted returns. Morningstar gave the Fund an overall Risk Rating of Below Average.<sup>2(iii)</sup>

•

Value Line Larger Companies Focused Fund, Inc.\* outpaced the category average return of its peers for the one-, three- and five-year periods ended December 31, 2018 (large growth category), as measured by Morningstar,<sup>1</sup> ranking in the top 23% or better of its peer category in each of those time periods.<sup>2(iv)</sup>

On the following pages, the Funds' portfolio managers discuss the management of their respective Funds during the annual period. The discussions highlight key factors influencing recent performance of the Funds. You will also find a Schedule of Investments and financial statements for each of the Funds.

Before reviewing the performance of your individual mutual fund investment(s), we encourage you to take a brief look at the major factors affecting the financial markets during the 12 months ended December 31, 2018, especially given the newsworthy events of the annual period. With meaningful trends and some surprising shifts during 2018 in several drivers of the capital markets, we also invite you to take this time to consider a broader diversification strategy by including additional Value Line Funds in your investment portfolio. You can find out more about the entire family of Value Line Funds at our website, [www.vlfunds.com](http://www.vlfunds.com).

Economic Review

Overall, the annual period was one of strong yet moderating economic growth and contained inflation both in the U.S. and globally. For the first three quarters of 2018, U.S. Gross Domestic Product (GDP) growth registered an average of 3.3%, the highest three-quarter growth rate since 2014. Fourth quarter GDP growth is widely expected to remain

healthy but somewhat slower, based on several headwinds that dampened investor sentiment, including a Federal government shutdown, a slowing global economy, an unresolved trade war between the U.S. and China and a wobbly housing market.

During the annual period, the U.S. labor market remained healthy, as monthly job gains averaged more than 200,000 for the year. December 2018 was especially strong, with a job increase of 312,000. This pushed the unemployment rate lower, from 4.1% at the beginning of the calendar year to 3.9% at the end of December 2018. Average hourly earnings, year over year, benefited from the strong U.S. labor market, increasing from a 2.8% to a 3.2% growth rate, its highest level since 2009. Manufacturing was another rather consistently strong sector of the economy during 2018. The ISM Manufacturing Survey, an important measure, registered close to 60 each of the first 11 months, representing the highest readings in several years. December 2018 was the weakest of the year with a softer ISM Manufacturing Survey reading of 54.1. Because of this economic strength overall, inflation picked up modestly but remained relatively tame and below the expectations of the Federal Reserve (the Fed). The broadest measure of inflation, which the Fed closely follows, i.e. the core Personal Consumption Expenditure price index, which excludes food and energy, rose from 1.5% in January 2018 to 1.9% on a year over year basis as of November 2018 (latest data available) and averaged a low 1.6%.

Prompted by this economic growth backdrop and declines in the unemployment rate, the Fed raised its targeted federal funds rate four times in 2018—in March, June, September and December—bringing it to a range of 2.25% to 2.50%. At the end of the annual period, Fed policymakers continued to adhere to the belief that there is strong potential for the currently low

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### President's Letter (unaudited) (continued)

unemployment rate to raise wages and thereby put pressure on the inflation rate. The hikes in the federal funds rate mostly affected short-term fixed income securities, whose yields rose significantly during the annual period. For example, the two-year U.S. Treasury note started the annual period with a yield of 1.88% and ended December 2018 with a yield of 2.48%, an increase of 60 basis points. (A basis point is 1/100th of a percentage point.) Longer-term fixed income securities fared somewhat better, since they have greater sensitivity to inflation and, thereby, benefited from the moderate inflation readings. The bellwether 10-year U.S. Treasury note began the annual period with a yield of 2.40% and ended December with a yield of 2.69%, up 29 basis points. The significant upward move in short-term rates created a flattening of the yield curve, meaning the differential in yields between short-term rates and long-term rates narrowed. Short-term rates already saw an inversion of the yield curve, as the yield on the two-year Treasury was temporarily higher than that on the five-year Treasury toward the end of the annual period.

Outside of the U.S., the economies of China, Europe and the emerging markets began to slow during the annual period. With the U.S. and China involved in trade conflicts, wherein the U.S. has instituted tariffs on certain Chinese goods and China has retaliated in kind, certain industries within the U.S. and internationally have been hurt. Equity markets did not take this downbeat news well, experiencing great volatility, especially during the last quarter of 2018. Indeed, at year-end 2018, the investment climate was marked by uncertainty. Equity investors were worried the ongoing tightening policy of the Fed and trade conflict with China may cause a major slowdown in U.S. economic growth. This, in turn, drove a flight to safety in fixed income securities, pushing up the prices of higher quality bonds. On the commodities front, markets overall declined during the annual period, hampered by the strong U.S. dollar, which rose from mid-April 2018; a collapse in oil prices from early October 2018; and the ongoing U.S.-China trade war. Gold prices remained rather range-bound as a result of the tug-of-war between the effects of rising U.S. Treasury yields, which reduced the relative appeal of precious metals, and heightened market volatility, which led to a flight to perceived safe havens.

#### Equity Market Review

U.S. equities, as measured by the S&P 500® Index<sup>3</sup>, declined 4.38% during the 12 months ended December 31, 2018, its worst calendar year performance since 2008.

As 2018 began, the momentum of late 2017 carried into January amid strengthening economic growth, rising corporate earnings and continued optimism surrounding the tax reform enacted in December 2017. The U.S. equity market rally came to an abrupt halt in early February, however, after unexpectedly strong wage growth sparked fears the Fed would be compelled to speed up its pace of interest rate increases. Such market speculation stoked a sharp rise in bond yields and an increase in equity market volatility. Concerns about Fed monetary policy tightening were further exacerbated by solid U.S. labor and inflation data. Stocks subsequently recovered, as concerns about the Fed gradually eased, but the markets turned lower once again in March in reaction to potentially unfavorable changes in U.S. trade policy. Despite these fluctuations, which stood in marked contrast to the unusually low volatility of 2017, the S&P 500® Index closed the first quarter with only a modest decline of -0.76%.

By the end of the annual period, the Fed had hiked interest rates four times and communicated an upbeat view of its economic outlook, spurred by strong U.S. labor and inflation data. Despite strong fundamentals, investor sentiment was weighed upon throughout the calendar year by escalating trade tensions, fears of a global economic slowdown and populist politics. After second and third calendar quarters of generally solid gains, supported by a combination of robust economic growth, strong corporate profits and rising earnings estimates, U.S. equities fell sharply again in the fourth quarter of 2018, as investor sentiment rapidly deteriorated on heightened trade and political uncertainty. In particular, U.S. equities plunged in December 2018 on renewed investor fears sparked by, among other factors, the partial Federal government shutdown, the U.S. President's criticism of Fed Chair Powell, and in a delayed response to an earlier sell-off in global rates. The S&P 500® Index's 9.03% decline in December 2018 was its worst December return since 1931.

As was the case for 2017, growth stocks significantly outperformed value stocks across the capitalization spectrum of the U.S. equity market for the annual period ended December 31, 2018, though value did outperform growth on a relative basis in the fourth calendar quarter, reversing the trend of the prior seven consecutive quarters. While all capitalization segments posted negative returns, large-cap stocks performed best, followed at some distance by



mid-cap stocks and then small-cap stocks. (All as measured by the FTSE Russell indices.<sup>3</sup>)

In the S&P 500® Index, four sectors posted positive absolute returns and seven generated negative returns during the annual period. Health care, utilities, consumer discretionary and information technology were the best performing sectors in the S&P 500® Index, as measured by total return, and the weakest performing sectors in the S&P 500® Index during the annual period were energy, materials, industrials and financials. (After the close of business on September 28, 2018, the telecommunications services sector was renamed the communication services sector and was broadened to include certain companies from the information technology and consumer discretionary sectors that facilitate communication and offer related content and information through various media.)

All told, the U.S. equity markets outperformed the international equity markets during the annual period. Developed and emerging market equities, as measured by the MSCI EAFE Index<sup>3</sup> and MSCI Emerging Markets Index<sup>3</sup>, respectively, posted annual returns of -13.79% and -14.58%, respectively, weighed on by political, economic and protectionism concerns, including

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Italian political and budgetary turmoil, ongoing unpredictability around the U.S.-North Korea summit, fears of a global economic slowdown, populist politics, elevated political uncertainty in Europe, including ongoing Brexit negotiations, and trade war fears—all despite relatively strong fundamentals. Central bank tightening, a partial U.S. government shutdown and a strong U.S. dollar further pressured international equities.

### Fixed Income Market Review

The broad U.S. investment grade fixed income market, as measured by the Bloomberg Barclays US Aggregate Bond Index<sup>4</sup>, posted a return of 0.01% during the annual period. Less accommodative central bank policy both domestically and globally put pressure on shorter-term interest rates, with a more modest increase in longer-term rates given still-low inflation. This caused a flattening of the yield curve. While rates rose across the yield curve, or spectrum of maturities, interest rates on maturities of two years and less rose most. Indeed, making headlines was the spread, or yield differential, between the two-year and 10-year portion of the yield curve, where the spread flattened from 53 basis points at year-end 2017 to just 20 basis points at year-end 2018, and, as mentioned earlier, the spread between two- and five-year maturities temporarily inverted in early December 2018—for the first time in more than a decade. This spread is closely watched as an indicator of a slowing economy and of a possible buildup of recessionary pressures.

Over the course of the annual period, the yield on the three-month U.S. Treasury bill rose approximately 106 basis points, the yield on the two-year U.S. Treasury note increased approximately 60 basis points, and the yield on the five-year U.S. Treasury note rose approximately 31 basis points. The yield on the bellwether 10-year U.S. Treasury note increased approximately 29 basis points, and the yield on the 30-year U.S. Treasury bond rose approximately 28 basis points during the annual period.

Broadly speaking, it was a “risk off” environment within the taxable fixed income market, wherein investors’ aversion to risk heightened dramatically from that seen during 2017. While most non-government bond sectors posted negative absolute returns, U.S. Treasuries and the highest rated securitized bonds posted modestly positive returns, significantly outperforming the higher risk corporate bond sector, which was out of favor for much of the year. Similarly, within the corporate bond sector, higher rated bonds outperformed lower rated bonds. CCC-rated bonds, for instance, the lowest-rated high yield bonds, trailed AAA-rated bonds, the highest rated investment grade bonds, by almost 500 basis points. New issuance of investment grade corporate bonds was down after its robust 2017 level, and corporate bonds saw a significant spread widening. Investors were also put off by declining credit metrics, prompted in part by a record number of share buybacks.

\* \* \*

We thank you for trusting us to be a part of your long-term, comprehensive investment strategy. We appreciate your confidence in the Value Line Funds and look forward to serving your investment needs in the years ahead just as we have been helping to secure generations’ financial futures since 1950—based on solid fundamentals, sound investment principles and the power of disciplined and rigorous analytics.

If you have any questions or would like additional information on these or other Value Line Funds, we invite you to contact your investment representative or visit us at [www.vlfunds.com](http://www.vlfunds.com).

Sincerely,

Mitchell Appel

President of the Value Line Funds

Past performance does not guarantee future results. Investment return and principal value of an investment can fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost; and that current performance may be lower or higher than the performance data quoted. Investors should carefully consider the investment objective, risks, charges and expense of a fund. This and other important information about a fund is contained in the fund’s prospectus. A copy of our funds’ prospectuses can be obtained free of charge by going to our website at [www.vlfunds.com](http://www.vlfunds.com) or calling toll-free 800.243.2729.

The Value Line Funds are distributed by EULAV Securities LLC.

\*

Data, rankings and ratings are based on the Investor Share Class of the Fund.

1

Morningstar, Inc. is an investment research and investment management firm headquartered in Chicago, Illinois, United States.

2

The Morningstar Rating<sup>TM</sup> 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

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President's Letter (unaudited) (continued)

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.

i

For Value Line Premier Growth Fund, Inc.: Four-star rating for 5-year (489 funds), 10-year (341 funds) and overall (542 funds) periods ended December 31, 2018; five-star rating for 3-year (542 funds) period ended December 31, 2018. All in the mid-cap growth category. Morningstar Risk: Low for the 3-year, 5-year, 10-year and overall periods ended December 31, 2018.

ii

For Value Line Mid Cap Focused Fund, Inc.: Ranked by Morningstar in the top 3% for one-year (605 funds), top 7% for three-year (542 funds) and top 8% for five-year (489 funds) periods ended December 31, 2018. All in the Morningstar mid-cap growth category. Five-star rating for 3-year (542 funds), 5-year (489 funds) and overall (542 funds) periods ended December 31, 2018; four-star rating for 10-year (341 funds) period ended December 31, 2018. All in the mid-cap growth category. Morningstar Risk: Low for the 3-year, 5-year, 10-year and overall periods ended December 31, 2018.

iii

For Value Line Capital Appreciation Fund, Inc.: Ranked by Morningstar in the top 6% for one-year (359 funds), top 4% for three-year (322 funds) and top 3% for five-year (280 funds) periods ended December 31, 2018. All in the Morningstar allocation 70% to 85% equity category. Four-star rating for 3-year (322 funds) and overall (322 funds) periods ended December 31, 2018; five-star rating for 5-year (280 funds) period ended December 31, 2018; three-star rating for 10-year (196 funds) period ended December 31, 2018. All in the allocation-70% to 85% equity category. Morningstar Risk: High for the 3-year and 5-year periods ended December 31, 2018; Below Average for the 10-year and overall periods ended December 31, 2018.

iv

For Value Line Larger Companies Focused Fund, Inc.: Ranked by Morningstar in the top 18% for one-year (1405 funds), top 23% for three-year (1247 funds) and top 10% for five-year (1107 funds) periods ended December 31, 2018. All in the Morningstar large growth category.

3

The S&P 500® Index consists of 500 stocks that 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. The MSCI EAFE Index is an equity index that captures large-cap and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large-cap and mid-cap representation across 24 emerging markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The FTSE Russell indices are a broad range of U.S. indices that allow investors to track current and historical market performance by specific size, investment style and other market characteristics. These are unmanaged indices and do not reflect charges, expenses or taxes, and it is not possible to directly invest in these indices.

4

The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including U.S. Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS. This is an unmanaged index and does not reflect charges, expenses or taxes, which are deducted from the Fund's return. It is not possible to directly invest in this index.

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**VALUE LINE PREMIER GROWTH FUND, INC.**

**INVESTMENT OBJECTIVE AND STRATEGY (condensed) (unaudited)**

The Fund's sole investment objective is long-term growth of capital.

**Manager Discussion of Fund Performance**

Below, Value Line Premier Growth Fund, Inc. portfolio manager Stephen E. Grant discusses the Fund's performance and positioning for the 12 months ended December 31, 2018.

How did the Fund perform during the annual period?

The Fund generated a total return of 1.39% during the 12 months ended December 31, 2018. This compares to the -4.38% return of the Fund's benchmark, the S&P 500® Index, during the same annual period.

What key factors were responsible for the Fund's performance during the 12-month reporting period?

The Fund significantly outperformed the S&P 500® Index during the 12-month reporting period, driven primarily by stock selection overall. Sector allocation decisions as a whole also contributed positively during the reporting period. Further, during the annual period, growth-oriented stocks outpaced value-oriented stocks by a wide margin. This style preference by investors at large proved a plus for the Fund, which emphasizes growth over value. However, large-cap stocks overall had smaller losses than mid- and small-cap stocks. This outperformance of large-cap stocks dampened the Fund's relative results, as the Fund emphasizes companies with lower market capitalizations within the S&P 500® Index.

Which equity market sectors most significantly affected Fund performance?

The Fund benefited most from effective stock selection in the industrials sector. Stock selection in the financials, information technology and consumer staples sectors further boosted the Fund's relative results. Having an underweighted allocation to financials, which lagged the S&P 500® Index during the annual period, and having an overweighted allocation to information technology, which outpaced the S&P 500® Index during the annual period, helped as well. Having no exposure to energy, the weakest sector in the S&P 500® Index during the annual period, also added value.

Only two sectors detracted from the Fund's relative results during the annual period. Holding no position in the strong, albeit small, utilities sector dampened relative results. Stock selection in health care also modestly detracted.

What were some of the Fund's best-performing individual stocks?

Among the individual stocks that contributed most to the Fund's relative results were O'Reilly Automotive, which retails automotive aftermarket parts, accessories and equipment; Church & Dwight, which develops and manufactures household, personal care and specialty consumer products; and Idexx Laboratories, which provides diagnostic, detection and information systems for veterinary, food and water testing applications. Each of these stocks enjoyed robust double-digit gains during the annual period driven by stronger than expected operating performance.

Which stocks detracted significantly from the Fund's performance during the annual period?

The most significant detractors from the Fund's performance were those large-cap components of the S&P 500® Index the Fund did not own, including Microsoft and Amazon.com, which each posted strong gains during the annual period. However, the Fund's strategy is to invest lower on the capitalization spectrum. It does not typically invest in giant, mega-cap companies, with investment research and investment management firm Morningstar placing the Fund in its mid-cap growth category. Also, the Fund's holdings of LKQ, which distributes automotive products and services, and Acuity Brands, which designs, produces and distributes indoor and outdoor lighting and control systems for commercial and institutional, industrial, infrastructure and residential applications, detracted from the Fund's results. Each of these companies' shares declined during the annual period primarily because of weaker than expected operating performance.

How did the Fund use derivatives and similar instruments during the reporting period?

The Fund did not use derivatives during the reporting period.

Did the Fund make any significant purchases or sales during the annual period?

During the annual period, we established new Fund positions in hospice and palliative care services provider Chemed, electronic design automation solutions supplies for the global electronics market Synopsys and inpatient rehabilitative healthcare services provider Encompass Health. Each, in our view, have delivered consistent, attractive long-term growth in both earnings and stock price.



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VALUE LINE PREMIER GROWTH FUND, INC.

(continued)

Among the largest eliminations from the Fund's portfolio were positions in consumer foods company General Mills, pharmaceuticals company Novo Nordisk and tobacco company British American Tobacco. In each case, we exited the Fund's position because the company was no longer generating the consistent long-term growth we seek.

Were there any notable changes in the Fund's weightings during the 12-month period?

We shifted from an underweight to an overweight in information technology during the 12-month period ended December 31, 2018 due to reorganization of the S&P 500® Index. There were no other material changes in the Fund's sector weightings.

How was the Fund positioned relative to its benchmark index at the end of December 2018?

As of December 31, 2018, the Fund was overweighted relative to the S&P 500® Index in the industrials, materials and information technology sectors. The Fund was underweighted relative to the S&P 500® Index in the financials and consumer discretionary sectors. The Fund was rather neutrally weighted relative to the Index in the consumer staples, health care and real estate sectors and had no allocations to the energy, communication services or utilities sectors on the same date.

What is your tactical view and strategy for the months ahead?

Regardless of market conditions, we intend to stay true to our time-tested investment discipline going forward, seeking to invest in companies that have demonstrated a solid history of consistent growth in both their earnings and stock price. In our view, these companies possess attractive portfolios of proprietary products and services that give them strong market positions and make them less vulnerable to swings in national and international economic conditions. At the same time, we believe the underlying stocks of these companies tend to be less volatile than the average stock in the S&P 500® Index. By maintaining our investment discipline, the Fund has historically provided a smoother ride to investors than its peer group averages. Putting aside short-term ebbs and flows in the equity market, we believe the Fund's investments are likely to provide superior returns to our shareholders over the long term.



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Value Line Premier Growth Fund, Inc.

Portfolio Highlights at December 31, 2018 (unaudited)

**Ten Largest Holdings**

Issue	Shares	Value	Percentage of Net Assets
Waste Connections, Inc.	173,700	\$ 12,897,225	4.1%
Teledyne Technologies, Inc.	50,200	10,394,914	3.3%
Roper Technologies, Inc.	39,000	10,394,280	3.3%
IDEXX Laboratories, Inc.	55,400	10,305,508	3.3%
Fiserv, Inc.	136,800	10,053,432	3.2%
Mettler-Toledo International, Inc.	17,700	10,010,766	3.2%
HEICO Corp.	120,081	9,303,876	2.9%
Church & Dwight Co., Inc.	134,800	8,864,448	2.8%
Toro Co. (The)	158,600	8,862,568	2.8%
ANSYS, Inc.	61,600	8,805,104	2.8%
Asset Allocation – Percentage of Net Assets			

**Sector Weightings – Percentage of Total Investment Securities\***

\*

Sector weightings exclude short-term investments.



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Value Line Premier Growth Fund, Inc.

Portfolio Highlights at December 31, 2018 (unaudited) (continued)

The following graph compares the performance of the Value Line Premier Growth Fund, Inc. to that of the S&P 500® Index (the “Index”). The Value Line Premier Growth Fund, Inc. is a professionally managed mutual fund, while the Index is not available for investment and is unmanaged. The returns for the Index 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 Premier Growth Fund, Inc. and the S&P 500® Index\*

Performance Data: \*\*

	Average Annual Total Return	Growth of an Assumed Investment of \$10,000
1 year ended 12/31/18	1.39%	\$ 10,139
5 years ended 12/31/18	7.27%	\$ 14,203
10 years ended 12/31/18	13.55%	\$ 35,639

\*

The Standard and Poor’s 500® Stock Index is an unmanaged index that is representative of the larger-capitalization stocks traded in the United States.

\*\*

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.

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Value Line Premier Growth Fund, Inc.

Schedule of Investments December 31, 2018

Shares		Value
<b>COMMON STOCKS (98.8%)</b>		
<b>COMMUNICATION SERVICES (1.3%)</b>		
<b>REITS (1.3%)</b>		
25,300	SBA Communications Corp. REIT*	\$ 4,095,817
<b>CONSUMER DISCRETIONARY (6.9%)</b>		
<b>DISTRIBUTION &amp; WHOLESALE (0.3%)</b>		
44,300	LKQ Corp.*	1,051,239
<b>RETAIL (6.6%)</b>		
4,100	AutoZone, Inc.*	3,437,194
16,200	Domino's Pizza, Inc.(1)	4,017,438
22,600	O'Reilly Automotive, Inc.*	7,781,858
123,200	TJX Companies, Inc. (The)	5,511,968
		20,748,458
		21,799,697
<b>CONSUMER STAPLES (4.3%)</b>		
<b>BEVERAGES (0.2%)</b>		
11,850	Brown-Forman Corp. Class B	563,823
<b>FOOD (0.2%)</b>		
5,000	McCormick & Co., Inc.(1)	696,200
<b>HOUSEHOLD PRODUCTS (2.8%)</b>		
134,800	Church & Dwight Co., Inc.	8,864,448
<b>RETAIL (1.1%)</b>		
17,000	Costco Wholesale Corp.	3,463,070
		13,587,541
<b>FINANCIALS (3.6%)</b>		
<b>BANKS (1.6%)</b>		
48,500	HDFC Bank Ltd. ADR	5,024,115
<b>COMMERCIAL SERVICES (0.1%)</b>		
2,400	MarketAxess Holdings,	507,144

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	Inc.	
	INSURANCE (1.9%)	
3,000	Alleghany Corp.	1,869,960
135,000	Arch Capital Group, Ltd.*	3,607,200
3,500	RenaissanceRe Holdings, Ltd.	467,950
		5,945,110
		11,476,369
HEALTHCARE (15.4%)		
	BIOTECHNOLOGY (2.9%)	
33,800	Alexion Pharmaceuticals, Inc.*	3,290,768
19,600	Illumina, Inc.*	5,878,628
		9,169,396
Shares		Value
HEALTHCARE (15.4%) (continued)		
	ELECTRONICS (3.2%)	
17,700	Mettler-Toledo International, Inc.*	\$ 10,010,766
	HEALTH CARE SERVICES (1.2%)	
10,600	Chemed Corp.	3,002,768
16,200	Encompass Health Corp.	999,540
		4,002,308
	HEALTHCARE PRODUCTS (8.1%)	
3,000	Align Technology, Inc.*	628,290
11,474	Becton Dickinson & Co.	2,585,322
57,600	Danaher Corp.	5,939,712
77,600	Henry Schein, Inc.*(1)	6,093,152
55,400	IDEXX Laboratories, Inc.*	10,305,508
		25,551,984
		48,734,454
INDUSTRIALS (33.7%)		
	AEROSPACE & DEFENSE (9.0%)	
120,081	HEICO Corp.(1)	9,303,876
15,800	Northrop Grumman Corp.	3,869,420

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6,000	Spirit AeroSystems Holdings, Inc. Class A	432,540
50,200	Teledyne Technologies, Inc.*	10,394,914
13,300	TransDigm Group, Inc. *(1)	4,522,798
		28,523,548
	COMMERCIAL SERVICES (4.6%)	
12,200	Cintas Corp.	2,049,478
14,800	Equifax, Inc.	1,378,324
66,152	IHS Markit, Ltd.*	3,173,311
220,350	Rollins, Inc.(1)	7,954,635
		14,555,748
	ELECTRICAL EQUIPMENT (2.4%)	
103,750	AMETEK, Inc.	7,023,875
6,300	EnerSys	488,943
		7,512,818
	ENVIRONMENTAL CONTROL (4.9%)	
38,500	Republic Services, Inc.	2,775,465
173,700	Waste Connections, Inc.	12,897,225
		15,672,690
	HAND & MACHINE TOOLS (1.6%)	
11,119	Lincoln Electric Holdings, Inc.	876,733
28,500	Snap-on, Inc.	4,140,765
		5,017,498
Shares		Value
INDUSTRIALS (33.7%) (continued)		
	HOUSEWARES (2.8%)	
158,600	Toro Co. (The)	\$ 8,862,568
	MACHINERY DIVERSIFIED (5.0%)	
12,900	Graco, Inc.	539,865
31,850	IDEX Corp.	4,021,381
8,000	Middleby Corp. (The)*(1)	821,840
39,000	Roper Technologies, Inc.	10,394,280
		15,777,366
	MISCELLANEOUS MANUFACTURERS (1.1%)	

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41,600	AO Smith Corp.	1,776,320
15,700	Carlisle Companies, Inc.	1,578,164
		3,354,484
	TRANSPORTATION (2.3%)	
56,000	Canadian National Railway Co.	4,150,160
33,000	J.B. Hunt Transport Services, Inc.	3,070,320
		7,220,480
		106,497,200
	INFORMATION TECHNOLOGY (25.2%)	
	COMMERCIAL SERVICES (1.4%)	
6,300	Gartner, Inc.*	805,392
25,700	WEX, Inc.*	3,599,542
		4,404,934
	COMPUTERS (2.1%)	
42,000	Accenture PLC Class A	5,922,420
11,500	CGI Group, Inc. Class A*(1)	703,685
		6,626,105
	DIVERSIFIED FINANCIAL SERVICES (1.3%)	
22,000	MasterCard, Inc. Class A	4,150,300
	ELECTRICAL EQUIPMENT (0.5%)	
8,500	Littelfuse, Inc.	1,457,580
	ELECTRONICS (2.0%)	
78,400	Amphenol Corp. Class A	6,351,968
	SOFTWARE (17.7%)	
61,600	ANSYS, Inc.*	8,805,104
13,400	Broadridge Financial Solutions, Inc.	1,289,750
72,000	Cadence Design Systems, Inc.*	3,130,560
7,800	Fair Isaac Corp.*	1,458,600
136,800	Fiserv, Inc.*(1)	10,053,432
28,400	Intuit, Inc.	5,590,540
25,500	Jack Henry & Associates, Inc.	3,226,260
62,000	Salesforce.com, Inc.*	8,492,140

See Notes to Financial Statements.



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## Schedule of Investments (continued)

Shares		Value
COMMON STOCKS (98.8%) (continued)		
INFORMATION TECHNOLOGY (25.2%)		
(continued)		
SOFTWARE (17.7%) (continued)		
8,000	ServiceNow, Inc.*	\$ 1,424,400
16,800	Synopsys, Inc.*	1,415,232
16,500	Tyler Technologies, Inc.*	3,066,030
32,500	Ultimate Software Group, Inc. (The)*	7,958,275
		55,910,323
TELECOMMUNICATIONS (0.2%)		
2,800	Arista Networks, Inc.*	589,960
		79,491,170
MATERIALS (6.1%)		
CHEMICALS (0.9%)		
7,000	Air Products & Chemicals, Inc.	1,120,350
22,000	FMC Corp.	1,627,120
		2,747,470
COMMERCIAL SERVICES (2.3%)		
48,400	Ecolab, Inc.	7,131,740
Shares		Value
MATERIALS (6.1%) (continued)		
HOUSEWARES (0.4%)		
20,200	Scotts Miracle-Gro Co. (The)(1)	\$ 1,241,492
MISCELLANEOUS MANUFACTURERS (0.6%)		
21,000	AptarGroup, Inc.	1,975,470
PACKAGING & CONTAINERS (1.9%)		
98,800	Ball Corp.	4,542,824
38,000	Crown Holdings, Inc.*(1)	1,579,660
		6,122,484
		19,218,656
REAL ESTATE (2.3%)		
REITS (2.3%)		

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31,600	American Tower Corp. REIT	4,998,804
23,200	Equity Lifestyle Properties, Inc. REIT	2,253,416
		7,252,220
		7,252,220
Shares		Value
TOTAL COMMON STOCKS		\$ 312,153,124
(Cost \$135,745,024) (98.8%)		
SHORT-TERM INVESTMENT (1.0%)		
MONEY MARKET FUND (1.0%)		
3,133,673	State Street Institutional Liquid Reserves Fund	3,133,673
TOTAL SHORT-TERM INVESTMENTS		3,133,673
(Cost \$3,133,468) (1.0%)		
TOTAL INVESTMENT SECURITIES		\$ 315,286,797
(99.8%) (Cost \$138,878,492)		
CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (0.2%)		641,178
NET ASSETS (100%)		\$ 315,927,975

\*

Non-income producing.

(1)

A portion or all of the security was held on loan. As of December 31, 2018, the market value of the securities on loan was \$28,619,672.

ADR American Depositary Receipt.

REIT Real Estate Investment Trust.

The following table summarizes the inputs used to value the Fund's investments in securities as of December 31, 2018 (See Note 1B):

Investments in Securities:	Level 1	Level 2	Level 3	Total
Assets				
Common Stocks*	\$ 312,153,124	\$ —	\$ —	\$ 312,153,124
Short-Term Investment	3,133,673	—	—	3,133,673
Total Investments in Securities	\$ 315,286,797	\$ —	\$ —	\$ 315,286,797

\*

See Schedule of Investments for further classification.

See Notes to Financial Statements.



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**VALUE LINE MID CAP FOCUSED FUND, INC.**

**INVESTMENT OBJECTIVE AND STRATEGY (condensed) (unaudited)**

The Fund's sole investment objective is long-term growth of capital.

**Manager Discussion of Fund Performance**

Below, Value Line Mid Cap Focused Fund, Inc. portfolio manager Stephen E. Grant discusses the Fund's performance and positioning for the 12 months ended December 31, 2018.

How did the Fund perform during the annual period?

The Fund's Investor Class generated a total return of 4.72% during the 12 months ended December 31, 2018. This compares to the -4.38% return of the Fund's benchmark, the S&P 500® Index, during the same annual period.

What key factors were responsible for the Fund's performance during the 12-month reporting period?

The Fund significantly outperformed the S&P 500® Index during the 12-month reporting period, driven primarily by stock selection overall. Sector allocation decisions as a whole also contributed positively during the reporting period. Further, during the annual period, growth-oriented stocks outpaced value-oriented stocks by a wide margin. This style preference by investors at large proved a plus for the Fund, which emphasizes growth over value. However, large-cap stocks overall had smaller losses than mid- and small-cap stocks. This outperformance of large-cap stocks dampened the Fund's relative results, as the Fund, focused on mid-cap stocks, emphasizes companies with lower market capitalizations within the S&P 500® Index.

Which equity market sectors most significantly affected Fund performance?

The Fund benefited most from effective stock selection in the industrials sector. Stock selection in the consumer staples and materials sectors further boosted the Fund's relative results. Having an underweighted allocation to financials, which lagged the S&P 500® Index during the annual period, and having no exposure to energy, the weakest sector in the S&P 500® Index during the annual period, also added value.

Only partially offsetting these positive contributors was having an underweighted allocation to the strongly performing consumer discretionary sector, which detracted. Holding no position in the strong, albeit small, utilities sector also dampened relative results.

What were some of the Fund's best-performing individual stocks?

Among the individual stocks that contributed most to the Fund's relative results were Idexx Laboratories, which provides diagnostic, detection and information systems for veterinary, food and water testing applications; Rollins, which provides pest control services; and Heico, which manufactures and sells aerospace products and services to airlines, defense contractors and military agencies. Shares of each of these companies enjoyed solid double-digit gains during the annual period driven by stronger than expected operating performance.

Which stocks detracted significantly from the Fund's performance during the annual period?

During the annual period, the Fund was hurt most by not owning software behemoth Microsoft and e-commerce giant Amazon.com, which posted strong gains during the annual period. However, the Fund implements a focused strategy that invests primarily in mid-sized companies. Also, the Fund's positions in cooking equipment manufacturer Middleby and automotive products and services distributor LKQ detracted. Each of these companies' stocks experienced double-digit declines during the annual period on weaker than expected operating performance.

How did the Fund use derivatives and similar instruments during the reporting period?

The Fund did not use derivatives during the reporting period.

Did the Fund make any significant purchases or sales during the annual period?

This focused Fund ended the annual period with 36 holdings in its portfolio, unchanged from the start of the calendar year. We established new Fund positions during the annual period in climate control equipment manufacturer Lennox International, hospice and palliative care services provider Chemed, and insurance agency WR Berkley. Each of these companies, in our view, has demonstrated consistent and attractive long-term growth in both earnings and stock price. We eliminated the Fund's positions in convenience store operator Casey's General Stores, medical waste management services provider Stericycle, and automotive products and services distributor LKQ, the last of which was mentioned earlier. Each of these sales was based on our belief that these companies have diminishing long-term growth prospects.



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VALUE LINE MID CAP FOCUSED FUND, INC.

(continued)

Were there any notable changes in the Fund's weightings during the 12-month period?

We shifted from a neutral weighting to an overweight relative to the S&P 500® Index in materials and from an overweight to a neutral weighting relative to the S&P 500® Index in consumer staples during the 12-month period ended December 31, 2018. We also shifted from an underweight to an overweight in information technology during the annual period due to reorganization of the S&P 500® Index.

How was the Fund positioned relative to its benchmark index at the end of December 2018?

As of December 31, 2018, the Fund was overweighted relative to the S&P 500® Index in the industrials, materials and information technology sectors. The Fund was underweighted relative to the S&P 500® Index in the financials and consumer discretionary sectors and was rather neutrally weighted relative to the Index in the health care and consumer staples sectors on the same date. On December 31, 2018, the Fund held no positions at all in the energy, communication services, real estate or utilities sectors.

What is your tactical view and strategy for the months ahead?

Regardless of market conditions, we intend to stay true to our time-tested investment discipline going forward, seeking to invest in companies that have demonstrated a solid history of consistent growth in both their earnings and stock price. In our view, these companies possess attractive portfolios of proprietary products and services that give them strong market positions and make them less vulnerable to swings in national and international economic conditions. At the same time, we believe the underlying stocks of these companies tend to be less volatile than the average stock in the S&P 500® Index. By maintaining our investment discipline, the Fund has historically provided a smoother ride to investors than its peer group averages. Putting aside short-term ebbs and flows in the equity market, we believe the Fund's investments are likely to provide superior returns to our shareholders over the long term.

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Value Line Mid Cap Focused Fund, Inc.

Portfolio Highlights at December 31, 2018 (unaudited)

**Ten Largest Holdings**

Issue	Shares	Value	Percentage of Net Assets
Lennox International, Inc.	45,200	\$ 9,892,472	5.3%
TransDigm Group, Inc.	26,800	9,113,608	4.9%
ANSYS, Inc.	63,100	9,019,514	4.8%
Mettler-Toledo International, Inc.	15,600	8,823,048	4.7%
Teledyne Technologies, Inc.	41,500	8,593,405	4.6%
HEICO Corp.	104,983	8,134,083	4.4%
Rollins, Inc.	206,700	7,461,870	4.0%
Ball Corp.	154,800	7,117,704	3.8%
Waste Connections, Inc.	92,950	6,901,537	3.7%
IDEXX Laboratories, Inc.	35,000	6,510,700	3.5%
Asset Allocation – Percentage of Net Assets			

Sector Weightings – Percentage of Total Investment Securities\*

\*

Sector weightings exclude short-term investments.





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Value Line Mid Cap Focused Fund, Inc.

Portfolio Highlights at December 31, 2018 (unaudited) (continued)

The following graph compares the performance of the Value Line Mid Cap Focused Fund, Inc. to that of the S&P 500® Index (the “Index”). The Value Line Mid Cap Focused Fund, Inc. is a professionally managed mutual fund, while the Index is not available for investment and is unmanaged. The returns for the Index 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 Mid Cap Focused Fund, Inc. and the S&P 500® Index\*

Performance Data: \*\*

Investor Class	Average Annual Total Return	Growth of an Assumed Investment of \$10,000
1 year ended 12/31/18	4.72%	\$ 10,472
5 years ended 12/31/18	9.11%	\$ 15,464
10 years ended 12/31/18	12.92%	\$ 33,714

\*

The S&P 500® Index is an unmanaged index that is representative of the larger-capitalization stocks traded in the United States.

\*\*

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.

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Value Line Mid Cap Focused Fund, Inc.

Schedule of Investments December 31, 2018

Shares		Value
COMMON STOCKS (97.9%)		
CONSUMER DISCRETIONARY (1.0%)		
RETAIL (1.0%)		
12,200	Advance Auto Parts, Inc.	\$ 1,921,012
CONSUMER STAPLES (8.0%)		
FOOD (5.2%)		
34,000	J&J Snack Foods Corp.	4,916,060
33,500	McCormick & Co., Inc. (1)	4,664,540
		9,580,600
HOUSEHOLD PRODUCTS (2.8%)		
80,000	Church & Dwight Co., Inc.	5,260,800
		14,841,400
FINANCIALS (6.1%)		
INSURANCE (6.1%)		
53,000	American Financial Group, Inc.	4,798,090
167,700	Arch Capital Group, Ltd. *	4,480,944
29,200	Berkley (W.R.) Corp.	2,158,172
		11,437,206
		11,437,206
HEALTHCARE (14.2%)		
ELECTRONICS (4.7%)		
15,600	Mettler-Toledo International, Inc.*	8,823,048
HEALTHCARE PRODUCTS (7.9%)		
8,224	Becton Dickinson & Co.	1,853,032
26,700	Danaher Corp.	2,753,304
45,400	Henry Schein, Inc.*(1)	3,564,808
35,000	IDEXX Laboratories, Inc.*	6,510,700
		14,681,844

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HEALTHCARE SERVICES (1.6%)

10,200	Chemed Corp.	2,889,456
		26,394,348

INDUSTRIALS (37.9%)

AEROSPACE & DEFENSE (13.9%)

104,983	HEICO Corp.	8,134,083
41,500	Teledyne Technologies, Inc.*	8,593,405
26,800	TransDigm Group, Inc. *(1)	9,113,608
		25,841,096

BUILDING MATERIALS (5.3%)

45,200	Lennox International, Inc.	9,892,472
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Shares Value

INDUSTRIALS (37.9%) (continued)

COMMERCIAL SERVICES (4.0%)

206,700	Rollins, Inc.(1)	\$ 7,461,870
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ELECTRICAL EQUIPMENT (2.1%)

56,750	AMETEK, Inc.	3,841,975
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ENVIRONMENTAL CONTROL (3.7%)

92,950	Waste Connections, Inc.	6,901,537
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HAND & MACHINE TOOLS (1.4%)

17,900	Snap-on, Inc.	2,600,691
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HOUSEWARES (2.6%)

85,600	Toro Co. (The)	4,783,328
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MACHINERY DIVERSIFIED (3.5%)

8,200	Middleby Corp. (The)*(1)	842,386
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21,400	Roper Technologies, Inc.	5,703,528
		6,545,914

MISCELLANEOUS MANUFACTURERS (1.4%)

26,700	Carlisle Companies, Inc.	2,683,884
		70,552,767

INFORMATION TECHNOLOGY (25.1%)

COMMERCIAL SERVICES (3.4%)

49,200	Gartner, Inc.*	6,289,728
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COMPUTERS (1.9%)

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57,000	CGI Group, Inc. Class A *(1)	3,487,830
	ELECTRONICS (2.7%)	
62,100	Amphenol Corp. Class A	5,031,342
	SOFTWARE (17.1%)	
63,100	ANSYS, Inc.*	9,019,514
86,800	Fiserv, Inc.*	6,378,932
37,800	Jack Henry & Associates, Inc.	4,782,456
93,700	Open Text Corp.	3,054,620
20,600	Tyler Technologies, Inc.*	3,827,892
19,700	Ultimate Software Group, Inc. (The)*	4,823,939
		31,887,353
		46,696,253
	MATERIALS (5.6%)	
	COMMERCIAL SERVICES (1.8%)	
23,000	Ecolab, Inc.	3,389,050
	PACKAGING & CONTAINERS (3.8%)	
154,800	Ball Corp.	7,117,704
		10,506,754
	TOTAL COMMON STOCKS (Cost \$123,608,532) (97.9%)	182,349,740
Shares	Value	
	SHORT-TERM INVESTMENT (1.6%)	
	MONEY MARKET FUND (1.6%)	
3,003,089	State Street Institutional Liquid Reserves Fund	\$ 3,003,089
	TOTAL SHORT-TERM INVESTMENTS (Cost \$3,002,789) (1.6%)	3,003,089
	TOTAL INVESTMENT SECURITIES (99.5%) (Cost \$126,611,321)	\$ 185,352,829
	CASH AND OTHER ASSETS IN EXCESS OF LIABILITIES (0.5%)	927,277
	NET ASSETS (100%)	\$ 186,280,106

\*

Non-income producing.

(1)

A portion or all of the security was held on loan. As of December 31, 2018, the market value of the securities on loan was \$25,186,726.

See Notes to Financial Statements.

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**Schedule of Investments (continued)**

The following table summarizes the inputs used to value the Fund's investments in securities as of December 31, 2018 (See Note 1B):

Investments in Securities:	Level 1	Level 2	Level 3	Total
Assets				
Common Stocks*	\$ 182,349,740	\$ —	\$ —	\$ 182,349,740
Short-Term Investment	3,003,089	—	—	3,003,089
Total Investments in Securities	\$ 185,352,829	\$ —	\$ —	\$ 185,352,829

\*

See Schedule of Investments for further classification.

See Notes to Financial Statements.

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**VALUE LINE CAPITAL APPRECIATION FUND, INC.**

**INVESTMENT OBJECTIVE AND STRATEGY (condensed) (unaudited)**

The Fund's investment objective is to seek capital appreciation and income consistent with its asset allocation.

**Manager Discussion of Fund Performance**

Below, Value Line Capital Appreciation Fund, Inc. portfolio managers Cindy Starke and Liane Rosenberg discuss the Fund's performance and positioning for the 12 months ended December 31, 2018.

**How did the Fund perform during the annual period?**

The Fund's Investor Class generated a total return of -2.71% during the 12 months ended December 31, 2018. This compares to the -2.35% return of the Fund's blended benchmark, comprised 60% of the S&P 500® Index and 40% of the Bloomberg Barclays US Aggregate Bond Index (the Bloomberg Barclays Index), during the same annual period.

**Were there any changes made to the Fund's investment strategy or objective with its name change?**

The Fund's investment strategy did not change. Its investment objective was revised to "seek capital appreciation and income consistent with its asset allocation" rather than "income, as high and dependable as is consistent with reasonable risk and capital growth to increase total return."

**What key factors were responsible for the Fund's performance during the 12-month reporting period?**

The Fund modestly underperformed its blended benchmark, driven primarily by its asset allocation. Its overweight to equities and underweight to fixed income, relative to the blended benchmark, detracted, as equities underperformed fixed income during the annual period. That said, the equity portion of the Fund outperformed the -4.38% return of the S&P 500® Index, while the fixed income portion of the Fund slightly trailed the Bloomberg Barclays Index during the annual period. Similarly, security selection in the equity portion of the Fund contributed positively, while security selection in the fixed income portion of the Fund detracted. The Fund had an average cash position of approximately 3%, which added value given the negative absolute returns for equities and flat returns for fixed income during the annual period.

Further, it proved to be a good time for our style of equity investing, as growth stocks significantly outpaced value stocks during the annual period across the capitalization spectrum, and the equity portion of the Fund was invested primarily in growth stocks.

**Which equity market sectors most significantly affected Fund performance?**

The equity portion of the Fund benefited most from having an overweighted allocation in health care, the best performing sector in the S&P 500® Index during the annual period. Effective stock selection in information technology and industrials also contributed positively as did having an underweighted allocation to industrials, the third weakest performer in the S&P 500® Index during the annual period.

The sectors that detracted most from the equity portion of the Fund's relative results during the annual period were communication services and consumer staples, wherein stock selection proved weak. Having an overweighted allocation to communication services, which underperformed the S&P 500® Index during the annual period, also hurt. Having no exposure to the utilities sector, which was the second strongest sector in the S&P 500® Index during the annual period, dampened the Fund's relative results as well.

**What were some of the Fund's best-performing individual stocks?**

Contributing most to the equity portion of the Fund's relative results were positions in biotechnology company Juno Therapeutics, software-as-a-service solutions provider Zendesk and diabetes-focused medical device company DexCom.

Juno Therapeutics is a clinical stage biotechnology company focused on cellular-based immunotherapies that target patients' own cells to fight cancer. Its shares saw robust double-digit gains during the period the Fund held the position. In January 2018, Celgene announced its acquisition of Juno Therapeutics to expand Celgene's lymphoma program. We sold the Fund's position in Juno Therapeutics following the acquisition announcement. Zendesk's shares surged during the annual period, supported by strong quarterly results, solid execution and growing scale. The company also achieved net income profitability starting in the first quarter of 2018, which was sooner than the market expected. Shares of DexCom enjoyed a triple-digit gain during the annual period, largely driven by market penetration and strong execution. We opportunistically trimmed the Fund's positions in Zendesk and DexCom on strength through the annual period.

Which stocks detracted significantly from the Fund's performance during the annual period?

During the annual period, the stocks that detracted most from the equity portion of the Fund's performance were biopharmaceutical companies Celgene and Alexion Pharmaceuticals as well as producer of motion pictures, television programming and media networks Lions Gate Entertainment.



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**VALUE LINE CAPITAL APPRECIATION FUND, INC. (continued)**

Celgene experienced a double-digit share price decline during the annual period, largely reflecting product pipeline risk as well as potential generic competition against its leading drug, Revlimid, upon its patent expiration in a few years. Alexion Pharmaceuticals' shares declined sharply during the annual period, despite making significant progress in its product pipeline, as biotechnology stocks as a whole were a weak spot in the strongly performing health care sector. Shares of Lions Gate Entertainment fell significantly during the annual period, reflecting lower than expected growth rates across its business segments, including persistent pressure on its Starz subscriber and profit growth.

Did the equity portion of the Fund make any significant purchases or sales?

We initiated Fund positions in Tencent Holdings, Splunk and Amarin during the annual period. Tencent Holdings is the world's largest online gaming company by revenue and the largest consumer Internet company in China by user scale and engagements. In our view, it is well positioned to benefit from secular growth in several markets, including online gaming, online advertising and financial technology. Splunk is a company in the fast-growing big data and data security industries. We believe it has a strong product portfolio addressing the growing need to monitor information technology systems amid rising complexities. Amarin is a biotechnology company focused on cardiovascular health, with, in our view, upside potential for sales growth over the next few years and net income profitability within the next 12 months. We established the Fund position in Amarin in September 2018 following the release of positive top-line results from the Vascepa cardiovascular outcomes trial, REDUCE-IT.

Conversely, in addition to the sale of Juno Therapeutics, mentioned earlier, we exited the Fund's position in Tesaro, another cancer therapeutics developer, following the announcement it would be acquired by GlaxoSmithKline at a value more than 60% of its prior-day close. We also liquidated the Fund's position in Monster Beverage, an energy drink company in the consumer staples sector. The sale was prompted by what we saw as the company's slowing growth prospects and a high valuation for this growth.

Were there any notable changes in the equity portion of the Fund's weightings during the 12-month period?

During the annual period, the Fund's allocations to the communication services, information technology and health care sectors increased relative to the S&P 500® Index, and its relative positions in the consumer discretionary, consumer staples and financials sectors decreased.

How was the equity portion of the Fund positioned relative to its benchmark index at the end of December 2018?

As of December 31, 2018, the Fund was overweighted relative to the S&P 500® Index in the health care, communication services, consumer discretionary and information technology sectors. The Fund was underweighted relative to the S&P 500® Index in the industrials, financials, consumer staples, real estate and energy sectors on the same date. The Fund had no exposure to the utilities and materials sectors at the end of December 2018.

What was the duration and yield curve strategy of the fixed income portion of the Fund?

Duration positioning in the fixed income portion of the Fund contributed positively to its performance relative to the Bloomberg Barclays Index during the annual period. We kept the fixed income portion of the Fund's duration moderately shorter than that of the Bloomberg Barclays Index, which proved beneficial as interest rates rose during the annual period. Duration is a measure of the fixed income portion of the Fund's sensitivity to changes in interest rates.

Yield curve positioning overall had a rather neutral effect on the Fund's performance during the annual period. Yield curve indicates the spectrum of maturities within a particular sector.

Which fixed income market segments most significantly affected Fund performance?

A significantly overweighted allocation relative to the Bloomberg Barclays Index in investment grade corporate bonds early in the annual period detracted from the fixed income portion of the Fund's relative results most. Given the risk-off environment that developed as 2018 progressed, having an out-of-benchmark exposure to high yield corporate bonds, which underperformed the Bloomberg Barclays Index during the annual period, and an underweighted allocation to U.S. Treasuries, which outperformed the Bloomberg Barclays Index during the annual period, also hurt. Conversely, the fixed income portion of the Fund's overweight in structured products contributed positively. More specifically, the fixed income portion of the Fund had significant overweights relative to the Bloomberg Barclays Index in asset-backed securities and commercial mortgage-backed securities, both sectors that outperformed the

Bloomberg Barclays Index during the annual period. Being underweight international sovereign debt also added value, as this sector substantially underperformed the Bloomberg Barclays Index during the annual period. Issue selection proved most beneficial in high quality sectors with low credit risk, including U.S. agency securities and taxable municipal bonds.

Were there any notable changes in the fixed income portion of the Fund's weightings during the 12-month period?

We made several changes to the fixed income portion of the Fund's weightings during the annual period given the shift in market conditions from the "risk on" environment that dominated at the start of 2018 to the "risk off" environment that arose as the

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year progressed. We significantly reduced both its overweight to investment grade corporate bonds and its exposure to high yield corporate bonds, as we believed the demand for risk assets would continue to be muted for some time. We correspondingly increased the fixed income portion of the Fund's allocations to U.S. Treasuries and highly-rated securitized debt, including asset-backed securities and mortgage-backed securities. While maintaining its duration shorter than that of the Bloomberg Barclays Index, we did lengthen the fixed income portion of the Fund's duration modestly toward the end of the annual period, bringing it closer to a neutral position, in anticipation of a slowing economy and a more dovish Fed in 2019.

How was the fixed income portion of the Fund positioned relative to its benchmark index at the end of December 2018?

At the end of December 2018, the fixed income portion of the Fund remained overweight relative to the Bloomberg Barclays Index in investment grade corporate bonds, asset-backed securities, commercial mortgage-backed securities and taxable municipal bonds. The fixed income portion of the Fund remained underweight relative to the Bloomberg Barclays Index at the end of the annual period in U.S. Treasuries and international sovereign debt. The fixed income portion of the Fund also maintained an exposure to high yield corporate bonds, which are not a component of the Bloomberg Barclays Index.

How did the Fund's overall asset allocation shift from beginning to end of the annual period?

At December 31, 2018, the Fund had a weighting of approximately 84% in stocks, 12% in fixed income securities and 4% in cash equivalents. This compared to approximately 85% in stocks, 12% in fixed income securities and 3% in cash equivalents at the start of the annual period.

How did the Fund use derivatives and similar instruments during the reporting period?

Neither the equity portion of the Fund nor the fixed income portion of the Fund used derivatives during the reporting period.

What is your tactical view and strategy for the months ahead?

The S&P 500® Index's monthly loss of 9.03% in December 2018 was its worst December decline since 1931, and its 4.38% decline for the year was its worst calendar year performance since 2008. With this U.S. equity market sell-off, we believed the S&P 500® Index looked quite attractively valued at 14.6 times its forward price/earnings ratio at year-end 2018. We expect sales and earnings growth for the companies in the S&P 500® Index to remain positive in 2019 yet slow down from the high rates of growth seen in 2018, as the effect of corporate tax cuts fades and U.S. economic growth moderates. According to FactSet, consensus expectations for S&P 500® Index companies are for approximately 6% sales and 7% earnings growth rates in 2019. With this sales and earnings growth outlook still in expansion mode, equities trading at reasonable valuations and a Fed indicating it is going to be more "patient" in raising interest rates in 2019, we believe the backdrop for U.S. equities is favorable in the new year.

As growth-focused investors, we believe earnings growth is one of the primary drivers of share prices over time. Given what we saw as a favorable backdrop for U.S. equities at the end of the annual period, we intend to continue to seek companies for the equity portion of the Fund's portfolio that are positioned to grow both their sales and earnings at a pace above the market and their peers. Notably, the equity portion of the Fund's holdings had an estimated three-year average sales growth rate of approximately 19% at the end of the annual period, more than double the S&P 500® Index's estimated three-year 8% sales growth rate as of December 31, 2018. The equity portion of the Fund also had a three- to five-year average estimated forward earnings growth rate of approximately 21%, more than 1.5x the S&P 500® Index's estimated average growth rate of 13%.

With equity valuations attractive at the end of the annual period, in our view, with short-term interest rates and inflation still low by historical standards and with the Fed taking a more "patient" approach to interest rate increases, we believe there are many stocks that offer compelling capital appreciation and total return potential.

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Value Line Capital Appreciation Fund, Inc.

Portfolio Highlights at December 31, 2018 (unaudited)

**Ten Largest Holdings**

Issue	Shares	Value	Percentage of Net Assets
Alexion Pharmaceuticals, Inc.	170,000	\$ 16,551,200	4.1%
Celgene Corp.	210,000	13,458,900	3.4%
Visa, Inc.	93,000	12,270,420	3.1%
Alphabet, Inc.	11,700	12,226,032	3.1%
Amazon.com, Inc.	8,000	12,015,760	3.0%
Exelixis, Inc.	540,000	10,621,800	2.7%
Activision Blizzard, Inc.	218,000	10,152,260	2.5%
Alibaba Group Holding, Ltd. ADR	72,000	9,869,040	2.5%
Facebook, Inc.	75,000	9,831,750	2.5%
Exact Sciences Corp.	134,000	8,455,400	2.1%
Asset Allocation – Percentage of Net Assets			

Sector Weightings – Percentage of Total Investment Securities\*

\*

Sector weightings exclude short-term investments.



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The following graph compares the performance of the Value Line Capital Appreciation Fund, Inc. to that of the 60/40 S&P 500® Index/Bloomberg Barclays Aggregate Bond Index, (the “Index”). The Value Line Capital Appreciation Fund, Inc. is a professionally managed mutual fund, while the Index is not available for investment and is unmanaged. The returns for the Index 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 Capital Appreciation Fund, Inc. and the 60/40 S&P 500® Index/Bloomberg Barclays Aggregate Bond Index\*

Performance Data: \*\*

	Average Annual Total Return	Growth of an Assumed Investment of \$10,000
Investor Class		
1 year ended 12/31/18	-2.71%	\$ 9,729
5 years ended 12/31/18	6.32%	\$ 13,585
10 years ended 12/31/18	9.25%	\$ 24,221
Institutional Class		
1 year ended 12/31/18	-2.61%	\$ 9,739

\*

The 60/40 S&P 500® Index/Bloomberg Barclays Aggregate Bond Index is an unmanaged blended index which consists of a 60% weighting of the S&P 500 Index representative of the larger capitalization stocks traded in the United States and a 40% weighting of the Bloomberg Barclays Aggregate Bond Index which is a broad-based benchmark that measures the investment grade, U.S. dollar denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-through's), ABS, and CMBS.

\*\*

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.



**TABLE OF CONTENTS**Value Line Capital Appreciation Fund, Inc.  
Schedule of Investments

Shares		Value
COMMON STOCKS (84.0%)		
COMMUNICATION SERVICES (15.6%)		
ENTERTAINMENT (1.1%)		
265,000	Lions Gate Entertainment Corp. Class A	\$ 4,266,500
INTERNET (8.9%)		
11,700	Alphabet, Inc. Class A*	12,226,032
75,000	Facebook, Inc. Class A*	9,831,750
30,000	Netflix, Inc.*	8,029,800
135,000	Tencent Holdings, Ltd. ADR(1)	5,328,450
		35,416,032
MEDIA (1.6%)		
90,000	Comcast Corp. Class A	3,064,500
31,000	Walt Disney Co. (The)	3,399,150
		6,463,650
SOFTWARE (4.0%)		
218,000	Activision Blizzard, Inc.	10,152,260
75,000	Electronic Arts, Inc.*	5,918,250
		16,070,510
		62,216,692
CONSUMER DISCRETIONARY (12.5%)		
ENTERTAINMENT (1.8%)		
35,000	Vail Resorts, Inc.	7,378,700
INTERNET (7.0%)		
72,000	Alibaba Group Holding, Ltd. ADR*	9,869,040
8,000	Amazon.com, Inc.*	12,015,760
82,000	GrubHub, Inc.*(1)	6,298,420
		28,183,220
RETAIL (3.7%)		
19,000	Home Depot, Inc.	3,264,580
55,000	Starbucks Corp.	3,542,000
88,000	TJX Companies, Inc. (The)	3,937,120
16,000	Ulta Salon, Cosmetics & Fragrance, Inc.*	3,917,440
		14,661,140



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		50,223,060
CONSUMER STAPLES (2.6%)		
	BEVERAGES (1.6%)	
41,000	Constellation Brands, Inc. Class A	6,593,620
	COSMETICS & PERSONAL CARE (1.0%)	
30,000	Estee Lauder Companies, Inc. (The) Class A	3,903,000
		10,496,620
Shares		Value
ENERGY (2.9%)		
	OIL & GAS (2.9%)	
70,000	Anadarko Petroleum Corp.	\$ 3,068,800
60,000	Diamondback Energy, Inc.(1)	5,562,000
22,000	Pioneer Natural Resources Co.	2,893,440
		11,524,240
		11,524,240
FINANCIALS (6.7%)		
	BANKS (4.0%)	
260,000	Bank of America Corp.	6,406,400
85,000	Citigroup, Inc.	4,425,100
52,000	JPMorgan Chase & Co.	5,076,240
		15,907,740
	DIVERSIFIED FINANCIAL SERVICES (2.7%)	
8,000	BlackRock, Inc.	3,142,560
160,000	Blackstone Group L.P. (The)	4,769,600
72,000	Charles Schwab Corp. (The)	2,990,160
		10,902,320
		26,810,060
HEALTHCARE (24.3%)		
	BIOTECHNOLOGY (19.4%)	
170,000	Alexion Pharmaceuticals, Inc.*	16,551,200
580,000	Amarin Corp. PLC ADR*(1)	7,893,800
17,000	Biogen, Inc.*	5,115,640
60,000		5,109,000

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	BioMarin Pharmaceutical, Inc.*(1)	
210,000	Celgene Corp.*	13,458,900
134,000	Exact Sciences Corp.*(1)	8,455,400
540,000	Exelixis, Inc.*	10,621,800
40,000	Intercept Pharmaceuticals, Inc.*(1)	4,031,600
38,000	Vertex Pharmaceuticals, Inc.*	6,296,980
		77,534,320
	HEALTHCARE PRODUCTS (1.2%)	
31,000	Edwards Lifesciences Corp.*	4,748,270
	PHARMACEUTICALS (2.4%)	
33,000	DexCom, Inc.*	3,953,400
18,000	Jazz Pharmaceuticals PLC*	2,231,280

Shares		Value
HEALTHCARE (24.3%) (continued)		
	PHARMACEUTICALS (2.4%) (continued)	
40,000	Zoetis, Inc.	\$ 3,421,600
		9,606,280
	SOFTWARE (1.3%)	
77,000		