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ValueLine funds

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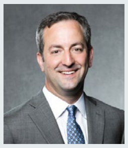

Mitchell Appel
President
Value Line Funds

Dear Fellow Shareholder,

Thank you for choosing Value Line Funds as a part of your diversified investment portfolio. For over half a century, Value Line Funds has championed sound investment principles and helped thousands of investors accomplish their financial goals with our actively managed family of mutual funds.

We hope you enjoy this edition of the VLFAlert and thank you for your continued support.

Why Now Might Be the Time to Invest

In 2022, most broad U.S. equity and fixed income indices generated double-digit negative absolute returns. It was only the third time since 1926 that both U.S. stocks and bonds lost ground in the same calendar year—the other two being 1931 and 1969. By another measure, 2022 saw the worst combined total return for both stocks and bonds dating back to 1872.[1]

Given the major market declines, it's no wonder that many investors reacted by thinking market timing might be an effective plan of action despite advice to the contrary. Other investors kept their cash on the sidelines, hesitant to invest in the markets at all. But the reality is that neither is a good strategy. While it might seem counter-intuitive, there may be a silver lining to be found in the down markets for investors who can tune out the noise and stay focused on the long term—now might be an opportune time to invest.

It's Not Timing the Market, It's Maintaining Historical Context

We've all heard repeatedly that trying to time the market doesn't work. It's true. No one, including Warren Buffett, can time the market consistently over the long run. The fact is that reactive and emotion-based decision-making has driven the average equity investor to underperform the S&P 500® Index by nearly 33% during the 30 years from 1992 to 2021.[2] At the same time, bear markets, rising interest rates, still-high inflation and elevated market volatility are not good reasons to completely sit out these periods of challenge and uncertainty. Invariably, data indicates that investor behavior has had far greater impact on long-term portfolio results than any of these market conditions. (Please visit our website at vlfunds.com to see earlier-published issues of the VLFAlert discussing each of these topics in greater detail.) While past performance is no guarantee of future results, here's a brief review of what history has shown.

- **When thinking about bear markets, keep in mind that…**half of the S&P 500® Index's strongest days in the 20 years between December 2001 and December 2021 occurred during a bear market. Another 34% of the S&P 500® Index's best days took place in the first two months of a bull market—before it was clear a bull market had begun.[3]
- **When thinking about rising interest rates, keep in mind that…** stocks have historically performed better during periods when interest rates are rising—when looked at 12 months following the first rate hike by the Fed.[4] After all, interest rates are being hiked by the Fed to slow—not stop—the rate of economic growth, and a strong economy can be good for companies.
- **When thinking about still-high inflation, keep in mind that…** the average annual return of the S&P 500® Index was 12.56% over the 10-year period ended December 31, 2022 and was 10.61% since the inception of the S&P 500® Index in 1926. These returns exceed the high U.S. inflation rates seen in 2022.
- **When thinking about elevated market volatility, keep in mind that…**despite an average intra-year drop of 14.0%, annual returns of the S&P 500® Index were positive in 32 of the past 42 years through 2022.[5]

It's Not Avoiding Anxiety, It's Making Informed Decisions

Feeling anxiety amid recent economic and market news is normal and natural. Last year was a rough one! But understanding the potential effects of various market conditions on portfolios is a key component to making more informed decisions about when and how to invest. Here are some steps you can take to help maintain confidence during tough times.

- **Keep your emergency fund and short-term reserves well-stocked.** Knowing you have enough money liquid enough to cover your must-have near-term expenses and some unexpected bills that somehow always arise can help provide the composure you seek to see the long-term benefits of being and staying invested now.
- **Use dollar-cost averaging.** As you well know, with this approach, you will be buying more shares when prices are low and fewer shares when prices are higher—regardless of how the market is performing. If you shift your perspective from one of "throwing good money after bad" during a downturn toward

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focusing on potential gains by buying more shares of funds with the same dollars you've always invested, down markets can be good opportunities. Dollar-cost averaging keeps you consistent and prevents you from trying to time the market.

- **Be clear about what motivates you.** Your investment portfolio, on the surface, is about making money. But it's not really about that at all. It's about what that money can provide for you and your family—a comfortable retirement, a debt-free education for your children or grandchildren, a path of philanthropy, a bucket-list vacation or whatever else it is that inspires you. Those hopes and aspirations do not disappear just because 2022 was a challenging year. And so, investing should not stop either.
- **Consider investment resilience.** One aspect of investing that often gets overlooked is resiliency. Check out those mutual funds that have been regularly recognized for their long-term performance and/or attractive risk profiles. In other words, those investments that have proven their resilience during tough times.
- **Maintain a long-term view.** Don't let discouraging returns in 2022 stop you from keeping your focus on long-term goals. Perhaps think in five-year chunks—both backwards and forwards. Has your investment portfolio grown over the last five years? Where do you want it to be five years from now? As long as the track record of your portfolio is positive, then short-term fluctuations can largely be ignored. It's not necessarily easy, but trust the long-term potential of your investments and keep investing if you have the means.
- **Act.** All of the research and information that you can obtain won't help unless you actually invest. Why? It's an old adage but true—time in the market is better than timing the market. It's been proven study after study after study. As Benjamin Franklin said, "You may delay, but time will not."

The reality is that investors got spoiled. From 2009 through 2021, we enjoyed the longest bull market in history. Even the steep sell-off caused by COVID-19 was short-lived, and stocks quickly rebounded. Then 2022 happened. But history is on your side. Stocks do go up more often than they go down. And the S&P 500® Index has only fallen as much as it did in 2022 six other times since its inception. The S&P 500® Index then bounced back by more than 20% in the following year in all but two of those cases (each of which were during the Great Depression of the early 1930s).[6]

Precedent is not predictive. But there are valuable lessons to be learned. 1) Getting invested, staying invested and riding out any storms is likely to produce better long-term portfolio growth than keeping a large percentage of your money in cash. 2) Shutting the door to investing this year just because last year was difficult could well be a costly mistake. 3) Better to invest now—with a long-term perspective and with an investment manager you trust.

Check out our News & Commentary at vlfunds.com for the latest on the Value Line Funds.

For more mutual fund information, call today: 800.243.2729 or visit our website at www.vlfunds.com

[1] *https://www.morningstar.com/news/marketwatch/20230104528/2022-was-the-biggest-outlier-year-in-markets-history-as-stocks-and-bonds-both-plunged-deutsche-bank-says.*

[2] *Fidelity, "Why now might be the time to invest," October 11, 2022.*

[3] *Ned Davis Research, 12/21. Time period referenced is 12/16/01–12/15/21.*

[4] *Bloomberg Finance L.P. Total Returns for S&P 500® Index and U.S. Bloomberg Aggregate Bond Total Return Index, 02/04/94 to 12/17/15.*

[5] *https://am.jpmorgan.com/us/en/asset-management/institutional/insights/market-insights/guide-to-the-markets/guide-to-the-markets-slides-us/equities/gtm-annualreturns/.*

[6] *https://www.msn.com/en-us/money/savingandinvesting/up-4percent-in-2023-is-it-safe-to-invest-in-the-stock-market-right-now/ar-AA16o1qW*