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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.

Recognizing Your Personal Investment Challenges...and Overcoming Them

As much as we read and inform ourselves about various investment strategies, our investment decisions aren't always rational. Year after year, numerous studies show the primary reason the average investor doesn't save enough for retirement and also underperforms the major market indices is because they tend to make poor choices driven by emotions. Indeed, there has developed an entire field of study called "behavioral finance" or "behavioral economics" that has emerged in the last decade to study why emotion causes investors to act in unpredictable and irrational ways and to explain how different investing personalities are affected by emotion. Even the most experienced and successful investors can let emotions get in the way of their decision making.

So how do we overcome our emotions to minimize their impact and potentially achieve better performance and a more secure retirement? We believe becoming familiar with common emotional biases and identifying simple ways to overcome them is a good place to start.

Fear: Many investors have a fear of losing money. But if the fear dominates, then these investors may miss out on gains. Not feeling in control can lead to paralysis and may mean we don't act at all.

Overcoming the Obstacle: One way to mitigate this fear is to diversify. While certainly no guarantee of profit nor protection against a loss, the goal of diversification is to reduce risk. This may be achieved by investing across asset classes where performance doesn't typically move in the same direction. Consider the Value Line Asset Allocation Fund or the Value Line Income and Growth Fund for opportunities to invest in different asset classes within one investment strategy. Professionally managed, these portfolios will be allocated among asset classes based upon relative opportunity.

Overconfidence: Sometimes tied to greed, this investor often overestimates his or her own expertise, resulting in a tendency to buy risky investments and/or hold an overly-focused portfolio. The problem is the overconfident

investor tends to rationalize their own decisions. This emotion is often based more in fantasy than facts and can be more destructive than fear.

Overcoming the Obstacle: Focusing on numbers and facts can help channel this emotion and make this sense of assurance work in your favor. Stay educated, read your shareholder reports and visit [vlfunds.com](#) often for lots of helpful information and guidance.

Hesitation: Investors challenged by this emotion tend to make conservative investment choices, averse to even

Value Line Funds' Automatic Investing Plan

Looking for an easy and convenient way to invest with Value Line Funds? Consider enrolling in the Valu-Matic® Investment Program. For as little as \$25 per month you can purchase shares of any Value Line Fund and the money is automatically deducted from your checking account. Please call 800.243.2729 for more information.

the possibility of making a mistake, perhaps as a result of past investments that turned out poorly. No one likes to make a decision that with hindsight might appear to be dumb, but a fear of regret or a tendency toward procrastination can cause us to miss out on making an attractive investment or selling when appropriate.

Overcoming the Obstacle: Maintaining a long-term perspective can help re-establish a sense of control and overcome regret aversion. Focus on being in the market in both up and down periods as opposed to trying to time the market.

Change Aversion: Preferring the status quo, or “a bird in the hand,” this investor would prefer to maintain his or her portfolio as is, wary of making any changes even when it’s in his or her best interest.

Overcoming the Obstacle: This aversion to change or risk can be overcome by knowing your comfort level with market declines and focusing on your goals. Establish a financial plan and make adjustments as your circumstances change. Of course, we invite you to consider including additional Value Line Funds in your portfolio as your investment needs shift.

Vulnerability to Peer Pressure: This investor tries to generate higher returns by chasing “hot” investments, hopping on the bandwagon simply for the sake of being part of the crowd. But the more popular a particular investment or investment theme, the less an individual investor may be performing his or her own due diligence, research and analysis upon which to make rational investment decisions.

Overcoming the Obstacle: To avoid falling into the trap of chasing performance, making rash decisions or looking for the latest and greatest idea, consider focusing on the long-term approach to investing. As Warren Buffet said, “The ability to say ‘no’ is a tremendous advantage for an investor.” For more than 60 years, we have maintained a long-term perspective, managing the Value Line Funds based on solid fundamentals, sound investment principles and the power of disciplined and rigorous analytics.

Bottom line, know yourself, know your investments and get advice when you need it. By understanding your own emotional investing challenges better, you will be on your way to making better investment choices and establishing a more goals-based, long-term investment strategy. And stay informed. You’ll be better equipped to make unemotional, rational decisions.

Read Our White Paper:

Concentrated Funds: Benefits of a Focused Approach

at vlfunds.com



Value Line Funds Include:
Equity Funds
Premier Growth Fund
Larger Companies Focused Fund
Value Line Mid Cap Focused Fund
Small Cap Opportunities Fund
Hybrid Funds
Asset Allocation Fund
Income and Growth Fund
Alternative Funds
Defensive Strategies Fund
Fixed Income Funds
Tax Exempt Fund
Core Bond Fund

For more information, call 800.243.2729 or visit www.vlfunds.com.

Past performance is no guarantee of future results. You should carefully consider investment objectives, risks, charges and expenses of Value Line Mutual Funds before investing. This and other information can be found in the fund’s prospectus, which can be obtained from your investment representative or by calling 800.243.2729. Please read it carefully before you invest or send money.

There are risks associated with investing in small and mid cap stocks, which tend to be more volatile and less liquid than stocks of large companies, including the risk of price fluctuations.

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