VLFAlert

ValueLinefunds

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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.

Why Actively Managed Funds Are Important in Your Investment Portfolio

As index funds, exchange-traded funds (ETFs) and other passively managed investments gain market share, there are several very important reasons to have actively managed funds in your investment portfolio. Here are just a few for you to consider.

Inherent Flexibility

Active managers select securities based on fundamentals and can weight their portfolios toward what they consider to be more attractive or less risky sectors and subsectors of the market. Most passively managed investments are designed to replicate the performance of an index without any fundamental analysis of that index's holdings. While there are no guarantees, of course, such a focus by active managers can, in many cases, be a significant advantage when markets are turbulent or declining. It is well worth noting that a majority of actively managed U.S. equity mutual funds outperformed the S&P 500® Index in the beginning and end years of the 2007-2009 financial crisis.[1] And both large-cap and small-cap actively managed U.S. equity funds outperformed passively managed U.S. equity funds in each year of that recent financial crisis.[2]

On a similar note, the flexibility to adjust quickly and nimbly; to shift allocations amongst sectors, industries, countries and securities; even to temporarily park some cash on the sidelines is a benefit only active managers can offer. If a market is experiencing a downturn, passively managed funds, comprising the same holdings in similar percentages as a particular index, will produce returns that closely match that of their benchmarks. But an active manager may use market inefficiencies or short-lived weakness to manage risk by making changes that seek to both limit losses during the decline and take advantage of opportunities for upside potential over the longer term. Active managers also have the greatest ability to respond to potential changes in a world where accommodative monetary policies by central banks around the globe are no longer supporting economies and various asset classes.

Key Insights

Maintaining a long-term perspective might be the key insight active managers can offer investors. Even well-run managed funds with highly respected fund managers and long-term performance records that are above their peer and category benchmarks can have disappointing years. Typically, these top-rated managers will stay disciplined to their fundamental strategies and not be swayed by short-lived shifts in market conditions. The Value Line Funds have been using disciplined strategies for more than 60 years now, with a consistent emphasis on best serving the long-term interests of our shareholders.

Further, the blanket approach of passively managed funds does not recognize and is not able to capitalize on unique challenges and opportunities within a given investment universe. For example, even when the U.S. equity market rallies, not all sectors, all industries or all companies included in the S&P 500® Index are going to perform well. An active manager can use its experience and expertise to seek those specific holdings it believes have the most attractive risk/reward profiles. Within the Value Line Funds, for instance, our Larger Companies Focused Fund and Mid Cap Focused Fund may experience short-term periods of both relative outperformance and underperformance. However, over time, the more concentrated, "best ideas" portfolios of these Funds have the potential to provide superior levels of capital appreciation for investors with a long-term horizon.

In-Depth Research

A passively managed fund benchmarked to the S&P 500® Index is going to be virtually the same regardless of which firm's name is on it. But, not all actively managed funds are the same. Finding actively managed funds with good track records in both up and down markets, comparatively low turnover, specialized approaches to security selection and the resources to research less widely-followed markets is what distinguishes one fund or one fund family from another. Indeed,

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active management may be most advantageous in less liquid and less data-efficient markets, such as mid- and smaller-cap equity markets and bond markets. Here, securities frequently have prices that do not correctly match their intrinsic value and the rewards are potentially more substantial—factors only an active manager would analyze. Actively managed funds may also be particularly compelling when seeking a hybrid, or multi-asset class, fund or when the manager's security selection methodology is differentiated from peers.

Since the establishment of the first Value Line mutual fund in 1950, managers of the Value Line Fund Family continue to rely, in part, on the unique Value Line research methodology. That quantitative methodology generates the weekly Value Line Ranking Systems and publishes the weekly "buy and sell" stock recommendations on approximately 1,700 stocks. The Value Line Fund portfolio managers utilize a broad range of research resources, including access to the Value Line research methodology.

We are proud of this unique corporate history and of the fact that our funds are the only mutual funds that have the right to use of the Value Line name and to share in the powerful and innovative research story that goes with our historic brand.

How the Value Line Funds Can Be an Important Part of Your Investment Portfolio

The Value Line Funds include a wide range of solutions designed to meet a broad array of investment goals. Whether you are looking for income or long-term capital appreciation, whether you choose to invest in equities, taxable or tax-exempt fixed income or a hybrid fund of multiple asset classes, you can rely on the solid fundamentals of Value Line Funds.

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

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.

Check out our News & Updates 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]SPIVA® U.S. Scorecard, S&P Dow Jones Indices.

[2]Morningstar Inc. Does not include money market funds or ETFs.

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.

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