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.

How Diversification May Help You Weather the COVID-19 Storm

If you are approaching the off-ramp to retirement—or already there—you might assume it's time for the careful financial planning you did during all those years of hard work to finally pay off. Now is the time to reap the rewards of that hard work with minimal money worries. Right? Well, even the most diligent investor needs to protect what you have spent a lifetime saving and plan ways to help ensure you will have enough income to last through a fulfilling and financially comfortable retirement. Here are 10 ways to help keep your retirement income on track.

Diversification Can Help Buffer Volatility. Diversifying across and within sectors, geographies and asset classes is no guarantee of profit or protection against loss. But because assets generally don't all move in the same direction at the same time, a diversified portfolio can help mitigate the effects of sell-offs in any one area and can potentially reduce the impact of market volatility overall. For example, during the first quarter of 2020, when investors flew to relative safety, the U.S. equity market, as measured by the S&P 500 Index, declined more than 19%, while U.S. bonds, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, rose more than 3%. A portfolio with both stocks and bonds cushioned stock losses, underscoring the power of asset allocation and diversification.

Diversification Can Provide Liquidity. If your income has decreased or you have had a greater than anticipated need for cash, you could tap a money market fund or savings account without having to sell stocks or bonds in a down market…if you are diversified, that is. While it is painful to see losses on paper, there is no actual financial impact unless you sell those stocks or bonds. Having a portion of your total portfolio in cash lets you take a deep breath, pay your bills—and wait.

Diversification Can Mitigate Inflation Impact. Inflation hasn't been a real threat to eroding the value of your holdings for more than a decade now, but rising prices could return in the coming years. It's worth noting that in the depths of the COVID-19 pandemic crisis in March 2020, core inflation, which excludes food and energy, experienced its first monthly decline since January 2010.[1] However, inflation readings for food, medical care and education—essentials by any definition—rose that same month.

Diversification Can Help You Meet Different Investment Objectives. Having an investment portfolio in stocks alone may provide capital appreciation potential, but including a significant allocation to bonds can additionally provide a stream of current income—more important than ever for many of us now and an especially important consideration for retirees who are no longer earning a salary.

Diversification Can Add a Level of Control. It is times like these that are good reminders that timing the market is virtually impossible, even for the most experienced investors. It is also a good time to proactively review your investments and make sure you have the right mix of stocks, bonds and cash for you, knowing that at all times, some parts of your portfolio will likely be doing better than others.

Diversification Can Offer a Healthier Strategy. We may think checking the stock market indices and U.S. Treasury yields every day—or every 20 minutes—keeps us better informed and thus better able to handle stress. But building and maintaining a well-researched, well-managed, wide-ranging portfolio of growth-oriented, income-producing and defensive money-saving assets is more effective. It's healthier, too, because when we just don't know what the next day will bring, knowing you have established proper portfolio diversification lets you take a deep breath and thoughtfully monitor your investment strategy for your individual needs going forward.

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Diversification Can Be a Solid Foundation for Long-Term Investing. When it comes to investing, there is no telling which assets will rise or fall—or when those changes in value will occur. That's why having a well-diversified portfolio that reflects your ability to tolerate risk, your personal financial situation, your objectives and your time horizon is critical to long-term investing. Such diversification has historically, as well as during the early months of 2020, played an important role in countering the cyclical nature of individual allocations.[2] History has also shown that patience is generally rewarded.

Consider the Value Line Asset Allocation Fund

Consider the Value Line Asset Allocation Fund. The Fund's investment objective is to achieve a high total investment return (current income and capital appreciation) consistent with reasonable risk, wherein risk takes into account volatility, among other factors. It seeks to achieve this objective by investing in a hybrid mix of stock, bond and money market securities.

Stephen Grant, the Fund's portfolio manager, recently shared his thoughts on managing the Fund during these unprecedented times. "When so much of our lives is out of our own control, I believe implementing a steady investment process within a diversified portfolio can help investors weather the storm. Typically, many hybrid funds have a mandate to hold 60% in stocks and 40% in bonds. However, the Value Line Asset Allocation Fund has the flexibility to adjust the allocation and dynamically overweight growth-oriented equities or high quality fixed income securities or cash equivalents based on the relative opportunity.

"For example, at the end of March 2020, the Value Line Asset Allocation Fund had a weighting of approximately 62% in stocks, 31% in fixed income securities and 7% in cash equivalents. The Fund's allocation to stocks ranged from approximately 59% to 67% during the 12 months prior, as we effectively took advantage of short-term market swings to buy and sell stocks. Notably, the Fund had a 59% weighting in stocks in mid-February 2020, just before the sharp equity market decline, proving to be a prudent shift in asset allocation. All that said, regardless of market conditions, our investment process remains steady: we are seeking to own companies with 10+ years of consistent growth in both stock price and earnings. Accordingly, the equity portion of the Fund consists of companies that have demonstrated success in a variety of stock markets and economic cycles. And the fixed income portion of the Fund helps reduce portfolio volatility. Investing in a fund that is positioned, to use a sports phrase, to play both offense and defense, has perhaps never been more worthy of your consideration."

To read more about the Value Line Asset Allocation Fund and how we can be part of helping you build and maintain a diversified investment portfolio, we invite you to contact your investment representative or visit us at www.vlfunds.com.

[1] *https://www.bls.gov/news.release/pdf/cpi.pdf*

[2] *MSCI, "Can diversification help weather the coronavirus storm?," April 16, 2020.*

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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