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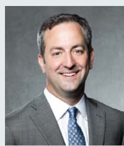

Mitchell Appel
President
Value Line Funds

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.

Unlocking the Secrets of Being a Highly Effective Investor

Did you know that "teacher" is one of the top five careers of millionaires in the U.S.?[1] It's because earning a high income…or even hard work…is NOT the key to wealth. Instead, it's the result of some very basic "common sense" but often challenging to implement principles of investing. As uncertainty—about the economy, about geopolitics, about political and policy direction—reigns these days, it might be worth a quick refresher of what those sound, fundamental principles are. After all, they're not really secrets at all.

Have a Plan It's important to set a time frame and appropriate short-term and long-term goals for your investments as the foundation for your investment success. Then determine practical steps to get there. Monitor your progress by reviewing your goals regularly—perhaps annually—to see how you are doing and whether or not your goals, or your plans for meeting them, need to be revised.

Determine What Kind of Investor You Are No one knows you and your particular circumstances better than you do. A popular and useful model was developed to help classify investors into five groups—individualist (careful, confident, a do-it-yourselfer); adventurer (volatile, entrepreneurial, strong-willed); celebrity (follower of the latest fads); guardian (highly risk-averse); and straight arrow (a combination of all of the above equally).[2] Regardless of which investment personality best describes you, being honest with yourself is key.

Patience Truly is a Virtue There is no real substitute for using time to your advantage. Time is one of the greatest assets an investor can have, mostly because of the power of compounding. It's an old adage but true that time in the market is more important than timing the market.

Save Early and Regularly Since time is on your side when you invest, saving is fundamental to wealth accumulation. Also, while you cannot control the returns of your investments, you can control the amount you save. If you are still working and your employer offers a 401(k) retirement savings plan, take advantage of it and save automatically. If you work for a smaller company or are retired and getting Social Security and/or a pension, use direct-deposit and have a set amount go directly into a savings or investment account. Regardless of your age, just start saving as much as you can. The point is to develop a disciplined habit of saving.

Spend Less than You Earn Sounds logical, right? Lots of people don't do it. They ratchet up their spending without thinking about it with upgrades to phones, cars, streaming networks, meals out, etc. In other words, lifestyle creep. But spending wisely and thoughtfully, according to "The National Study of Millionaires,"[1] is one of the keys to becoming a millionaire. Of the survey respondents, 94% said they live on less than what they earn and nearly 75% never carry credit card debt.

Expect Financial Emergencies Build an emergency cash reserve that will see you through six months to a year of expenses before funding a retirement account to avoid taking on high-interest rate credit card debt or having to use money from your IRA or 401(k) to cover the inevitable emergency that will arise. It's also important to have enough cash on hand to allow you to ride out a market correction without being forced to sell. The older you are and the higher your income, the bigger your emergency fund should be.

Consider Dollar Cost Averaging Making investing automatic, by investing a fixed dollar amount regularly, ensures that you buy more shares when they are inexpensive and fewer when they cost more. The impact to your bottom line cannot be underestimated. Further, if your money goes directly into your investment account—and never hits your checking account—you are less likely to spend it or tinker with it—and that is a good thing. Investing consistently is yet another key to becoming a millionaire, with 75% of those surveyed saying that regular investing over a long period of time is the reason for their success.[1]

Mitigate Risk through Diversification Allocating your investments across a variety of asset classes, geographies, capitalizations, sectors and styles can help reduce risk and optimize returns over time. Most mutual funds are specifically designed to diversify away some of the risks of single stocks or bonds. Diversification does not ensure a gain or guarantee against a loss but it does aim to provide a reasonable balance between risk and reward.

Withdraw and Rebalance Sensibly The point of investing money is to spend it eventually…or, if you're lucky enough, to be able to pass it on after you are gone. Remember, you can always adjust your withdrawal rate up or down—within reason—as you

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become accustomed to your retirement budget or as your life circumstances change. You may also want to rebalance your portfolio as you withdraw to make sure it stays in line with your planned allocation. Rebalancing once a year or so is intended to help you enjoy the fruits of a lifetime of saving for longer.

Know Your Risk Tolerance Investors often overestimate—or underestimate—their ability to ride out volatility. And many don't really know their risk tolerance until they have been tested. Much of your risk tolerance will be closely tied to your age, your time horizon, your short-term needs and your longer-term goals. Being realistic that sometimes you will make mistakes and sometimes you will be anxious; being impartial and unattached to any one particular investment; and being self-aware about what you need to have reasonable peace of mind is likely to help you stay dedicated and willing to stick to your long-term plan amid the noise of headlines and the volatility of the markets.

Stay Informed Your level of knowledge and resources can help determine the path you choose. And, as always, the more informed you are, the better decisions you make. If you have read this *VLFAlert* this far, then you are already in a better position than most.

Be Careful Who You Trust It's not your Uncle Joe or your neighbor or even the "expert" on TV. Staying invested with a trusted investment manager with a long track record—one that helps manage your portfolio based on solid fundamentals, sound investment principles and the power of disciplined and rigorous analytics—is important in good times and challenging times alike.

Maintain a Long-Term Perspective Staying the course with a level head and with emotions at bay, regardless of market conditions, may be the most difficult principle to practice. Avoid what is known as "recency bias," that is, chasing performance of a winning investment. As you see in virtually every investment brochure, "Past performance is no guarantee of future results." And, as always, don't think you can time the market. You can't. No one can. Resisting the very human temptation to react to short-term market fluctuations and understanding that market volatility is a natural and inherent part of investing is critical to being a highly effective investor. Volatility may be a challenge, but how you react to it makes all the difference.

Highly effective investing is a combination of measurable fundamentals and subjective, qualitative considerations, so the more you know and the more self-aware you are, the better the chances you will achieve the financial wellness you seek. Implementing this "baker's dozen" of fundamental principles should serve you well whether you are already retired, nearing retirement or still working toward enjoying the fruits of your smart investment planning.

Some More Interesting Facts About Millionaires to Keep in Mind[1]

While there are, naturally, some millionaires who made a large amount of money or inherited wealth, they are, in fact, in the minority. Research shows that becoming a millionaire is an achievable goal, offering good news for all.

- Only 31% of those surveyed averaged $100,000 per year over their entire career.
- One-third never made six figures in any single working year of their career.
- 79% of millionaires did not receive any inheritance at all from their parents or other family members.
- 85% of survey participants rely on a grocery list to some degree.
- 93% of millionaires use coupons all or some of the time when shopping.

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.ramseysolutions.com/retirement/the-national-study-of-millionaires-research*

[2] *https://www.managementstudyguide.com/bielard-biel-kaiser-model.htm*

Diversification does not ensure a profit or guarantee against a loss. 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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