VLFAlert

ValueLine*funds*

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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.

We All Know What Happens When We Assume…

Sometimes what we assume about investing is actually sabotaging our own best interests. Sometimes we need to get out of our own way and let certain beliefs go rather than move forward based on what we accept as true. Here, we'd like to challenge just a few of the most commonly held but faulty views and provide alternate ways to approach investing, so you may avoid these pitfalls.

1. "I'll know when to get out of the market—and when to get back in."

This misconception is two problems in one—trying to time the market and overconfidence. Getting out of the market to avoid an anticipated drop in the value of an investment and/or getting into the market to take advantage of an anticipated increase is truly a fool's errand. Whether it's overreacting to current events or getting excited about the newest investment trend, the idea of getting in and out of the market at the right time puts most investors on a fast track to lose money.

And, of course, when it comes to investing, overconfidence may lead us to overrate our ability to perceive and perform relative to others, trade more often than optimal, and be excessively certain about the accuracy of our predictions and instincts. Overconfidence may lead investors to trust their own knowledge over outside professional sources that could help them make better decisions.

An Alternate Way to Approach Investing: While past performance is never any guarantee of future performance, checking the research of independent ratings agencies like Morningstar to find those actively-managed funds that are rated highly with four and five stars for their long-term performance is critical in helping you build a case for an investment decision.

Value Line Funds Overall Morningstar Ranking	
Balanced Funds	
Asset Allocation Fund (VLAAX/VLAIX)	★★★★★ Among 688 Morningstar 50-70% Equity Allocation Funds (VLAAX)
Capital Appreciation Fund (VALIX/VLIIX)	★★★★★ Among 325 Morningstar 70-85% Equity Allocation Funds (VALIX)
Equity Funds	
Larger Companies Focused Fund (VALLX/VLLIX)	★★★ Among 1,229 Morningstar Large Growth Funds (VALLX)
Mid Cap Focused Fund (VLIFX/VLMIX)	★★★★★ Among 542 Morningstar Mid-Cap Growth Funds (VLIFX)
Premier Growth Fund (VALSX)	★★★★ Among 542 Morningstar Mid-Cap Growth Funds (VALSX)
Small Cap Opportunities Fund (VLEOX/VLEIX)	★★★★ Among 576 Morningstar Small Growth Funds (VLEOX)

As of 5/31/19, Based on Morningstar risk adjusted returns

2. "To avoid risk, I'll avoid stocks."

Most of us hate loss—that's normal. And most of us are just as concerned with market volatility as we are about reaching our long-term retirement investment goals. But a focus on near-term potential downside may be counterproductive. After all, when thinking about investing for retirement over a span of many years, a week, a quarter, even a year is only a blip. It is almost common knowledge that U.S. stocks as an asset class outperform bonds over the long term.[1] In fact, since 1928, there has not been any 20-year period where stocks lost money. We also know that the higher volatility of stocks compared to bonds is reduced the longer the holding period.[2] Plus, without stocks, you may be exposing your investment portfolio to shortfall and inflation risks. If you only invest in low-risk, low-return investments, you may not achieve the growth you need to achieve your goals, putting pressure on you to increase your savings rate. The irony is that avoiding risk completely is really the only way to guarantee loss.

An Alternate Way to Approach Investing: Intellectually, you understand that some degree of stock market volatility is

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unavoidable. But rather than worrying about whether stock prices are about to sink or soar—or worse yet, avoiding stocks all together, consider setting a long-term asset allocation based on your individual risk tolerance and investment time horizon—and then largely stick to it regardless of what is happening in the market. You might even try dollar-cost averaging, which involves investing a set amount of money into your investments at regular intervals—again, regardless of market conditions. Because you are always investing the same amount, you are buying more shares when prices are low and fewer when prices are high. Investing according to a predetermined plan like this also takes emotion out of the equation. If you haven't already, take a look at the Value Line Asset Allocation Fund or the Value Line Capital Appreciation Fund, each of which offer a hybrid mix of stock and bond investments.

3. "What works for my co-worker/neighbor/friend will work for me."

Interestingly, neuroscientists have discovered that the part of our brain that registers reaction to being picked last for the team or excluded from the hottest party in town is the same area that registers physical pain. In other words, we actually feel intense social and physical disconnect if we are not part of the crowd.[3] But when it comes to money, or anything else for that matter, try to avoid comparing yourself to others. You are unique, and so your portfolio should be, too. The truth is, there's a good chance your neighbors may not be doing as well as they say or as they make it appear. And even if they are, you really don't know for sure what their income is, how much they have in savings, what their financial obligations are, when they started investing, how much they will need in retirement, how much risk they can tolerate, etc.—all of the factors that go into deciding how people invest their money.

An Alternate Way to Approach Investing: Keep in mind that for every "success" story you hear at the proverbial water-cooler, there are likely to be just as many, if not many more, tales of investments that didn't work out as anticipated. But you won't hear those stories. Unfortunately, thinking you are not as well positioned as your friends, family members or co-workers may prompt you take action. But remember that action taken in this context is more likely to be based on emotions rather than a thoughtful asset allocation plan that considers your unique needs and circumstances. While it can be helpful to talk about money matters with friends and family, focus on building a diversified portfolio that will help you achieve your own financial goals. Get outside perspectives from professional financial consultants and other trusted sources. And consider trusting your investments to a firm that has been helping to secure generations' financial futures for nearly 70 years—based on solid fundamentals, sound investment principles and the power of disciplined and rigorous analytics. To read more about how the Value Line Funds have been doing just that, we invite you to contact your investment representative or visit us at www.vlfunds.com.

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]http://www.stern.nyu.edu/~adamodar/pc/datasets/histretSP.xls
[2]"Do Stocks Outperform Bonds?" Yahoo!Finance, November 19, 2018.
[3]"10 Ways Not to Sabotage Your Financial Security," Carol Clark, Franchising.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.

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The Morningstar Rating™ for funds, or "star rating" is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The Capital Appreciation Fund received 5 Stars for the 3 and 5 year periods, and 4 stars for the 10 year period, among 325, 288 and 206 70-85% Morningstar Equity Allocation Funds, respectively, as of 5/31/19. The Larger Companies Focused Fund received 3 stars for the 3 year period, 4 stars for the 5 year period, and 3 stars for the 10 year period, among 1,229, 1,097 and 811 Morningstar Large Growth Funds, respectively, as of 5/31/19. The Small Cap Opportunities Fund received 3 stars for the 3 year period, and 4 stars for the 5 and 10 year periods, among 576, 515 and 390 Morningstar Small Growth Funds, respectively, as of 5/31/19. The Mid Cap Focused Fund received 4 stars for the 3 year period and 5 stars for the 5 and 10 year periods, among 542, 482 and 361 Morningstar Mid-Cap Growth Funds, respectively, as of 5/31/19. The Premier Growth Fund received 4 stars for the 3, 5 and 10 year periods, among 542, 482 and 361 Morningstar Mid-Cap Growth Funds, respectively, as of 5/31/19. The Asset Allocation Fund received 5 stars for the 3, 5 and 10 year periods, among 688, 603 and 441 Morningstar 50-70% Equity Allocation Funds, respectively, as of 5/31/19.