VLFAlert

ValueLine*funds*

4th Quarter 2025 | Volume XIV, Issue IV

00312380

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.

Retirement in a Volatile Market: Why Staying the Course Matters

Maintaining an investment plan in the years just before and during retirement may be difficult, especially when market volatility is heightened—with 2025 market and economic dynamics adding an extra layer of discomfort. But there are steps you can take—and, equally important, not take—to help alleviate concerns about your retirement nest egg even when the financial markets unpredictably swing.

What is Market Volatility? Market volatility is an inherent part of investing. It occurs when the market experiences rapid and significant asset, security or index price fluctuations due to various factors, such as economic news, geopolitical events, investor sentiment or company performance. Importantly, short-term volatility leads to uncertainty in the markets but does not necessarily reflect the long-term performance of an investment.

For example, in the first week of April 2025, the S&P 500 Index recorded its largest two-day decline since March 2020, falling more than 10%.[1] However, less than a week later, the S&P 500 Index gained almost 10% in a single day.[2] This was an event-driven roller-coaster, caused by concerns related to new tariffs announced by the U.S. government and their potential impact on global trade and economic growth—and then a pause in the imposition of those tariffs. Historically, some of the strongest daily gains for the S&P 500 Index occurred following steep declines, such as that seen in October 2008 during the global financial crisis and in March 2020 amid the depths of the COVID-19 pandemic, each a month when the S&P 500 Index experienced a double-digit decline. Indeed, research shows that some of the biggest market gains come not during periods of relative calm but right after the toughest moments.

Staying the course during market volatility, even when it feels uncomfortable, can help one avoid missing those critical recovery days. Further, a loss "on paper" only becomes a realized loss when an asset is sold. In other words, it pays to be persistent. Here are some key strategies.

Stay Diversified While it may be tempting to sharply shift your asset allocation during periods of market volatility, that strategy has historically been shown to backfire over the long term. Often sudden reversals in market leadership—between growth vs. value, large-cap vs. small-cap, investment grade vs. high yield, equities vs. bonds—highlight the need for and benefits of creating balanced portfolios. The goal is to have assets that do not all move in the same direction at the same time. Consider diversifying not only by asset class but by market capitalization, sector, industry and geography. Diversification provides exposure to a wide portfolio of investments and may help to mitigate losses during significant market downturns, leading to shorter recovery times. Remember, diversification is not about eliminating risk; it's about managing it. Diversification is a key tool for building a resilient retirement plan. Staying the course means staying diversified.

Revisit Your Risk Tolerance Markets may be quick to react to uncertainty, but investors don't need to be. Instead of making hasty or emotional decisions that can result in lower long-term returns and locked-in losses, use times of market volatility to revisit your risk tolerance. After all, volatility feels different near or in retirement. In one's working years, time helps ride out downturns. But retirement usually means withdrawing from savings, not contributing. That shift makes every market swing feel more personal and perhaps even more scary—especially when relying on investments for income. Acknowledge those anxious feelings but remember why those investments were made in the first place. If your retirement portfolio still aligns with your long-term goals, then no action is required. If nothing has fundamentally changed in your financial situation, then doing nothing may be best. Staying the course may not always be easy, but it may be the most powerful decision you can make.

Know Your Expenses Market volatility during retirement is almost inevitable, but it does not have to derail your long-term financial goals. One important way to manage your understandably lower risk tolerance amid market volatility is to maintain appropriate liquidity. Know your essential and discretionary expenses and maintain a cash buffer. Keeping a year's worth of living expenses—as well as an emergency fund for unexpected bills—in cash or cash equivalents helps cover expenses during challenging times. It also gives the flexibility to adapt to changing market conditions and, most importantly, to avoid selling investments at a loss when you need money during market downturns. Maintaining solid cash reserves gives you options, keeps you in control, provides some security and enables you to stay the course with your investment portfolio.

(continued on back)

Look Beyond the News Cycle Focus on long-term trends rather than short-term noise. And consider limiting how often you check your account balances during volatile periods. Doing so only increases stress without providing any useful information for long-term retirement planning. Better to stay informed about market events and economic indicators from a more eagle-eye perspective and stick with the tried-and-true investment principles. Staying the course does not mean avoiding risk or ignoring the drivers of volatility. Staying the course means having a plan that can weather volatility in a thoughtful way and sticking to that plan to better help you stay calm, comfortable and confident throughout your retirement years.

Be Flexible in Withdrawal Strategies Consider adjusting withdrawal strategies to align with market conditions. By adopting a flexible approach, one can withdraw less during downturns to keep more invested earning compound interest and dividends. (See the 1st Quarter 2025 VLF*Alert* at https://vlfunds.com/documents/1Q25_VLF_Alert.pdf for more on this topic.)

Maintain a Long-Term Perspective Remember, market fluctuations are a normal, usual and natural part of the investment and economic cycle. So, take a deep breath and then look at the data. In the last 50 years alone, the S&P 500 Index has endured oil shocks, Black Monday, a tech bubble and its bursting, a global financial crisis, a pandemic, multiple regional wars and a notable inflation spike, and yet the U.S. financial markets have been resilient. And despite these periods of elevated volatility, long-term S&P 500 Index returns have been strongly up. The average annualized percentage gain of the S&P 500 Index from 1975 through June 2025, assuming reinvested dividends but not adjusted for inflation, was 12.08%—or 8.18% when adjusted for inflation.[3] Throughout the years, the market has rebounded from downturns, though recovery times have differed. If history is to serve as a guidepost to the years ahead, then the adage of time in the market being more important than timing the market is trite because true. Staying the course is the path to the value—quite literally—of patience.

How the Value Line Funds Can Help

We believe the best path for retirees and near-retirees, whether amid heightened volatility or calmer seas, is to stay the course with a diversified portfolio of investments actively managed by a firm you trust—a portfolio set up to navigate the tough times and keep you aligned with your long-term goals. We also believe there is significant value to having investment professionals managing your mutual funds who have weathered the ups and downs of the market through the years.

The Value Line Funds employ strategies that have stood the test of time. Regardless of the market backdrop, we intend to stay disciplined, using our bottom-up investment strategy going forward. The Value Line Funds have built their legacy by helping to secure investors' financial futures since 1950—based on solid fundamentals, sound investment principles and the power of disciplined and rigorous analytics relied on and trusted by generations of shareholders.

Value Line Equity Funds

Mid Cap Focused (VLIFX/VLMIX)
Larger Companies Focused (VALLX/VLLIX)
Small Cap Opportunities (VLEOX/VLEIX)
Select Growth (VALSX/VILSX)

Value Line Hybrid Funds

Asset Allocation (VLAAX/VLAIX)
Capital Appreciation (VALIX/VLIIX)

Value Line Fixed Income Fund

Core Bond (VAGIX)

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.

[1]The New York Times, April 6, 2025. [2]TD Wealth, May 2025. [3]in2013dollars.com, July 2025.