



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.

The Potential Impact of the 2016 Election on Your Portfolio

Certainly this U.S. presidential election year—while predictably filled with pundits, prognosticators and polls—has been unpredictable and unprecedented in many ways. In turn, the mere uncertainty of this year’s election outcome, regardless of whether the ultimate winner is Democrat or Republican, may have different implications for one’s investment portfolio or in which sectors one might want to look more closely. Here are some interesting misconceptions, some truths and some thoughts you might want to consider as November 8 approaches.

Misconceptions

- 1. The equity market favors one political party over another.** Many believe the Republican party is more pro-business and the Democrat party hinders economic growth and thus the U.S. equity market performs better under a GOP President. However, studies that go back more than 100 years show that neither is true and that neither party can claim to deliver better market performance.¹
- 2. The equity market performs better under divided government.** Many believe that regardless of the party in control of the White House, the U.S. equity market performs better under divided government, meaning a Congress of one party and a President of another. Again, historical review of the Dow Jones Industrial Average from 1900 through 2015 indicates this is not true.¹

Truths

- 1. Market returns during an election cycle tend to be lower than years immediately preceding and following an election year.**² Why? One, because there is usually a lack of clarity about the

future direction of the country in an election year. And two, while elections tend to bring out strong emotions, history reminds us that emotional investing is not the best approach to successful investing. Exacerbating heightened emotions this particular year are the high unfavorable ratings of both parties’ candidates.

- 2. The U.S. equity market is more driven by corporate earnings, income growth, economic data and international events than by presidential candidates.** History suggests that a president’s or candidate’s approval rating does not drive market performance.³ Further,

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.

where the economy is in the business cycle—expansion or recession, whether unemployment is declining or rising, and whether the inflation rate is low or high has had the greatest effect over the past several decades on determining who the next president may be as opposed to the other way around. Since 1960, with two exceptions, if unemployment and inflation are up in the last year of a president’s term, the opposing party has won; if unemployment and inflation are down in the last year of a president’s term, the incumbent party has won.⁴ Whether the 2016 election will follow this trend or be an exception is anyone’s guess.

3. Policy shifts tend to impact specific equity sectors and companies more than the overall equity market.

One candidate might favor defense spending, while another favors health care and entitlement programs. One might focus on government spending cuts while another emphasizes easing or tightening various industry regulations. Most agree that those market segments most closely leveraged to or dependent upon these policy issues and others, directly or indirectly, would likely be impacted more than the broad equity market.

Looking for a lower volatility Fund to complement your diversified portfolio?

Consider Value Line Funds’ newest fund, the Value Line Defensive Strategies Fund.



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

Thoughts to Consider Before the Election

In our view, these misconceptions and truths are certainly illustrative—and even entertaining—but they should not be relied upon. Past performance is no guarantee of future results, and no investor should jump in and out of the market or change his or her investment portfolio based on the latest predictions, polls or even Election Day results. On November 9, 2016, whether your preferred election outcome is realized or not, your well thought-out investment plan should still be focused on the same sound strategies as it was before—that is, assuming your individual goals, time horizons and risk comfort level have not changed. As always, sticking to the basic and prudent principles of investing remains the best plan. **Stay invested, stay diversified and stay informed.**

For more information, call 800.243.2729 or visit www.vlfunds.com.

¹Bloomberg, 12/31/2015.

²CNBC, “How the presidential election will affect your investment strategy,” June 23, 2016.

³Bloomberg, 12/31/2014.

⁴Gallup, 2/28/15.

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.

There are risks associated with investing in small and mid cap stocks, which tend to be more volatile and less liquid than stocks of large companies, including the risk of price fluctuations.

The inception dates of Value Line Mutual Funds range from 1950 to 2016. Value Line Mutual Funds are distributed by EULAV Securities LLC. Value Line and Value Line Logo are trademarks or registered trademarks of Value Line Inc. and/or its affiliates in the United States and other countries. Used by permission.