VLFAlert

ValueLine funds

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Preparing Your Portfolio for Risk: Critical Steps You Can Take

The S&P 500 Index posted 45 all-time closing highs in 2013, including on the final day of trading. Posting a broad 29.6% gain, 2013 was the S&P 500 Index's best year since 1997. Similarly, the Dow Jones Industrial Average ("the Dow") posted 52 record closes and finished 2013 up 26.5%, its best annual percentage gain since 1995 and its largest annual point gain in history.

And then came January 2014. The S&P 500 Index posted a new all-time high on January 15 but fell 3.5% for the month; the Dow dropped 5.2%. It was the first monthly setback for U.S. equities since August 2013 and the worst January showing since 2010.

Volatility, which had been comparatively low in 2013, spiked on emerging market weakness, a lower Chinese manufacturing report and the Federal Reserve beginning to reduce its stimulus measures. The Dow saw intra-day swings of more than 100 points in nearly every session, underscoring the volatile month for the U.S. equity market.

Clearly, preparing one's investment portfolio—and perhaps more importantly, one's mindset—for volatility, unsettled market conditions and risk is critical to long-term success.

Investors need to consider:

History tends to repeat itself. While the current bull market has run for more than four years now, the U.S. equity market has shown to correct itself approximately every two years on average. Consider the following:

- >> The average lifespan of a bull market is four years and eight months.[1]
- >> The past two bull runs have run longer than average.

While past performance is not a guarantee of future results, history can serve as a useful guide.

Emotions can interrupt or even derail progress. As we discussed in last quarter's VLF*Alert*, emotions don't pay; consistency does.

What you can control is your response to the market headlines. It may feel better in the moment of decline to be out of the equity market altogether, but if you act on that seemingly comforting moment, you could be sabotaging your financial goals over the long term.

Market volatility is always present. Interestingly, U.S. equity market volatility has heightened over recent years.

- >> There were 290 trading days between 1980 and the end of 2012 when the S&P 500 Index saw movements of 2.5% or more, up and down.
- >> Of those, 120 were just from 2009 through 2012, and none from 2004 to 2006.[2]

So, the question is, what to do?

Consider these suggestions:

1. ***Keep it all in perspective.***
2. ***Invest with active managers who have a record of investing in "steady-eddy" companies.***
3. ***Stick with smart-risk investments that focus on proven strategies over time.***
4. ***Stay informed.***

At the Value Line Funds, we seek to invest in historically proven winners—companies that have established a strong track record of consistent earnings growth and stock appreciation over the past 10 to 20 years.

We encourage you to stay informed—visit our website regularly at **www.vlfunds.com** for news, updates and commentaries; read our quarterly VLF*Alert* newsletters for information on topics that may directly impact your investment decisions; review your investor statements chock-full of important messages, graphs and account data; and peruse our newly-formatted shareholder reports, designed to be informative, useful and reader-friendly.

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Risk is Inevitable: How to Mitigate the Impact of Uncertainty

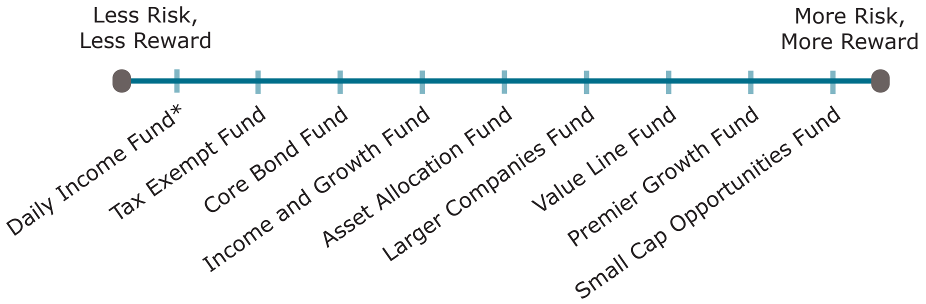
Rising interest rates, equity market ups and downs, Congressional partisanship, emerging market turmoil, and Federal Reserve tapering of the quantitative easing program. These are just a few of the current events—or what is known as "headline risk"—that call more than ever for the disciplined strategies of the Value Line Funds, which our portfolio managers carry out regardless of shifting macroeconomic, geopolitical, policy and market conditions.

By investing in the Value Line Funds, you have already taken the first step in mitigating the impact of uncertainty. Our portfolio managers have a track record of identifying and understanding risk, managing risk with proven strategies and rewarding clients for the risks they take. As we seek to create wealth for you over time, we invite you to take the next step by taking a look at each of the Value Line Funds in our family of mutual funds to see if we might be able to help you further diversify your investment portfolio across different equity market capitalizations and/or different asset classes—and, in turn, help you meet your long-term investment goals.

Value Line Funds Offer a Wide Range of Solutions

Since 1950, Value Line Funds have grown into a fund family that includes a wide range of solutions designed to meet a broad array of investment goals. Whether you are looking for income or long-term capital appreciation and whether you choose to invest in equities, taxable or tax-exempt fixed income or a fund that invests in both stocks and bonds, you can rely on the solid fundamentals of Value Line Funds.

Value Line Family of Funds Risk/Reward Relationship



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

[1] Source: S&P Dow Jones Indices.
[2] Source: "Measuring Economic Policy Uncertainty," Scott R. Baker (Stanford University), Nicholas Bloom (Stanford University, London School of Economics, National Bureau of Economic Research) and Steven J. Davis (University of Chicago, National Bureau of Economic Research); Jan 2013.

*Managed by Reich & Tang Asset Management, LLC, an unaffiliated investment manager with EULAV Asset Management. The Fund is distributed by EULAV Securities LLC.

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. Past performance is no guarantee of future results.

The inception dates of Value Line Mutual Funds range from 1950 to 1993. Value Line Mutual Funds are distributed by EULAV Securities LLC.