



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.

Put Your Cash to Work: Not Letting Market Volatility Derail Your Long-Term Investment Goals

At the end of 2017, Americans held more than \$2.8 trillion in money market funds¹ and another \$11.9 trillion in domestic bank deposits², including CDs and checking and savings accounts. According to one survey, Americans have about 58% of their investable assets in cash or cash equivalents.³

There are a lot of good reasons to hold cash in your portfolio, but if it is out of pure procrastination or out of reluctance due to economic uncertainty or out of hesitancy following the stock market crash of 2008 or after the increased market volatility seen more recently, then perhaps now is a good time to rethink. Cash is not risk free. And putting a portion of your cash to work can help you meet your investment goals over the long term. Here are some thoughts to consider.

Before Investing Your Sizable Cash Balance

Monthly expenses, emergencies and upcoming events are good reasons to hold cash. And, indeed, before you put your cash to work elsewhere, you want to make sure you have the basics covered.

- **Make Sure You Have a Budget.** Most people don't—they just pay their bills without attention to how much is going toward what. Know where your money is going and what you want to save for in the near term, such as a new computer, a child's braces, a wedding or a vacation.
- **Pay Off Your Debt.** Beyond your credit card balances, your extra cash may well be better spent toward student loans, car loans and mortgages before anything else.
- **Have a Rainy Day Fund.** Depending on your lifestyle and your family obligations, it's a good idea to have anywhere from three months to one year of expenses saved up and stashed away...just in case.

If you've checked each of these points in the positive, then you can think about taking a portion of your cash balance and investing it elsewhere.

Reasons to Overcome Your Own Objections

Before you say, "Yeah, but..." it is important to be aware that you're not really playing it as safe as you think you are by holding a large portion of your portfolio in cash.

- **Cash Does Not Keep Up with Inflation.** Even with the Federal Reserve's five interest rate increases this market cycle, to date, the federal funds target rate after the December 2017 rate hike was in a range of 1.25% to 1.50%. But inflation for 2017 was 2.1%, as measured by the Consumer Price Index.⁴ As 2018 began, the average money market fund yield was just 0.79%,⁵ and the national average yield on a one-year CD, even for jumbo deposits of more than \$100,000, was just 0.33%.⁶ Clearly, the purchasing power of your cash is diminishing as it sits.
- **Cash May Mean Missing Out on Market Opportunities.** Some may say that with the U.S. stock market having surged so high in such a short time and then facing heightened volatility with big daily swings, now may not be a good time to add to your equity position. Or others might say the bond market may not be a good place to invest given the rising interest rate environment. But while a money market fund or savings account will

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provide nominal capital preservation, there is simply no opportunity for capital appreciation potential, or growth.

- **Cash is Not A Long-Term Solution.** Sure, having cash feels good now, but it doesn't address your long-term goals. Are you thinking too short term? Have you maxed out your 401(k) or IRA? Are those plans going to cover your needs in retirement or are you going to need other sources of income? If you have an investment time horizon of more than one year, then you should make a commitment to yourself to save for your long-term goals by investing a portion of your cash.

We're not saying to increase your market investments beyond your comfort zone or to move full-steam ahead all at once. Certainly not. But we are saying that sitting on the sidelines because of inertia, whether it be from fear or simple procrastination, can be the thief of your future. That's why an investment in one or a combination of Value Line Funds might be worth your consideration.

How the Value Line Funds Can Help You Put Your Cash to Work

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, whether you choose to invest in equities, taxable or tax-exempt fixed income or a hybrid fund of multiple asset classes, you can rely on the solid fundamentals of Value Line Funds. Consider a strategy of dollar cost averaging, which can gradually invest a portion of your cash balance regardless of market conditions, to help you enhance your investment portfolio and better meet your long-term goals.

| Value Line Funds Include: |
|-------------------------------|
| Equity Funds |
| Premier Growth Fund |
| Larger Companies Focused Fund |
| Mid Cap Focused Fund |
| Small Cap Opportunities Fund |
| Hybrid Funds |
| Asset Allocation Fund |
| Capital Appreciation Fund |
| Fixed Income Funds |
| Tax Exempt Fund |
| Core Bond Fund |

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.

Check out our News & Updates 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

¹Investment Company Institute, January 30, 2018. ²FDIC, September 30, 2017 (latest data available). ³BlackRock Global Investor Pulse Survey 2017. ⁴Bureau of Labor Statistics, January 12, 2018. ⁵iMoneyNet Money Fund Average 7-Day Simple Yield for All Tax-Free and Municipal money-market funds, Reuters, December 27, 2017. ⁶FDIC, February 5, 2018

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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