

PART I

The Value Line Mutual Fund Survey

Value Line's flagship publication, *The Value Line Investment Survey*, was created more than 65 years ago to help investors in their quest to achieve superior returns from investments in common stocks. Backed by disciplined, objective analytical methodologies that have proven themselves over the past six and a half decades, as well as input from a staff of more than 100 professional securities analysts, statisticians, economists, and others, Value Line helps more than 100,000 subscribers make better investment decisions.

The Value Line Mutual Fund Survey brings to the analysis of mutual funds the same principles and commitment to high-quality research. After all, mutual funds are simply another means by which investors seek to meet their financial goals. Moreover, since a mutual fund consists of a collection of individual securities, the exhaustive research Value Line conducts on some 3,800 companies enables our research analysts to gain unique insight into what determines the performance of a mutual fund.

The Value Line Mutual Fund Survey has one overriding goal: to provide the subscriber with as much timely, relevant information as possible in an easy-to-read format. The information we present is divided into three parts: The "Ratings & Reports" section presents full-page profiles on 1,500 mutual funds; the "Performance & Index" section shows updated performance statistics on 2,000 funds; and the "Mutual Fund Advisor" offers advice, commentary, and insights on important investment trends affecting mutual funds. Complete descriptions of these sections follow.

RATINGS & REPORTS

"Ratings & Reports" consists of 10 separate Editions, each containing full-page profiles on more than 150 mutual funds. The fund profiles are arranged by investment objective to facilitate the user's comparison of one fund with others having similar objectives and policies. One of the 10 Editions is updated and mailed to subscribers every two weeks, so that a full cycle is completed every 20 weeks. Value Line updates each fund profile, therefore, about three times a year. Performance statistics also are provided every two weeks in the "Performance & Index" section.

A Supplemental Edition, provided to annual subscribers, presents abbreviated coverage of nearly 500 important newer funds and features analyses of 100 of the largest mutual fund families. This coverage of newer funds provides information on investments that generate widespread investor interest. The fund-family analyses offer a convenient framework for investors to evaluate funds in another context: the organization behind the fund. Different families can have different areas of focus or expertise, varying levels of in-house research support, and a specific management culture. These factors are relevant but largely unrecognized in evaluating mutual funds. The fund-family analyses also show investors what other types of funds each family offers, information that is especially useful for investors who want to build a well-rounded portfolio within the same organization. In addition, the family analyses present the average ranks of the family's funds across six broad categories.

For the convenience of subscribers, Value Line provides a large, three-post binder for the 11 individual Editions, with specific filing instructions.

The illustration below indicates how the “Ratings & Reports” sections are arranged:

EQUITY FUNDS	
<i>Editions 1 through 6</i>	
General Equity Aggressive Growth Growth Growth/Income Income Small Company International Equity European Equity Foreign Equity Global Equity Pacific Equity	Specialty Equity Energy/Natural Resources Financial Services Health Other Precious Metals Real Estate Technology Utilities Partial Equity Asset Allocation Balanced Convertible Flexible
FIXED INCOME FUNDS	
<i>Editions 7 through 10</i>	
Taxable Fixed Income Corporate—High Yield Corporate—High Quality Diversified Bond Government Government—Mortgage International Bond	Tax-Free Fixed Income Municipal—California Municipal—National Municipal—New York Municipal—Single State
SUPPLEMENTAL REPORTS	
<i>Edition S</i>	
Fund Families	Newer/Smaller funds

Every two weeks subscribers receive a new “Performance & Index,” which provides updated ranks and performance statistics for the 2,000 funds covered in *The Value Line Mutual Fund Survey*. Listed in “Performance & Index” for each fund are relevant statistics that provide subscribers with an at-a-glance profile of the fund’s performance history and ranks. In addition, “Performance & Index” includes useful tables that show the average performance for each investment-objective category and for major stock and bond indexes. It also lists the top-performing and top-ranked funds, as well as conservative funds with high ranks.

The statistics included in “Performance & Index” are explained below:

1. The fund listings include the **page number** on which a full-page profile can be found in the “Ratings & Reports” section. An “S” in this column indicates

PERFORMANCE & INDEX

THE INDEX PAGE

		1	2	3	4	5	6					7		8	
November 11, 1997		PERFORMANCE AND INDEX											Page 3	59-AM	
Index to Mutual Funds															
				Value Line Rankings			Total Return Through 9/30/97					Annualized	Trailing Yield	Ownership	
Page	Fund Name	Inv. Obj./Year	NAV 10/29/97	Overall	Risk	5 Yr. Growth Persistence	YTD	3 Mos	6 Mos	12 Mos	3 Yrs	5 Yrs	10 Yrs		
952	59 Wall St European Equity	EU	37.98	▼ 4	▼ 3	3	17.0	6.1	14.8	25.6	17.4	15.9	—	1.0	\$
1109	59 Wall St Pacific Basin Equity	PB	24.99	5	4	4	-6.2	-13.0	1.7	-10.0	-4.4	7.3	—	0.9	\$\$
1363	AAL Bond Fund A	CGIT	9.96	4	3	4	6.1	3.3	6.5	9.3	7.9	5.3	8.2	5.7	\$\$\$
158	AAL Capital Growth Fund A	GRLB	25.26	3	3	3	25.1	6.4	24.6	34.2	26.5	16.7	13.0	0.4	\$\$
1812	AAL Municipal Bond Fund A	MBLT	11.44	2	4	2	6.6	3.7	7.6	9.6	9.2	7.1	8.1	4.3	\$\$
159	AARP Capital Growth Fund	GRLG	55.33	3	▲ 3	3	37.5	11.0	34.1	46.7	28.1	20.0	13.9	0.7	\$
1633	AARP GNMA & US Treasury Fund	GM	15.19	3	2	4	5.8	2.5	5.7	8.5	7.8	5.4	8.1	6.4	\$
431	AARP Growth & Income Fund	GILB	56.57	1	2	1	30.4	9.7	26.6	40.7	26.8	21.3	14.6	2.0	\$
1364	AARP High Quality Bond Fund	CG	16.23	4	3	3	5.3	2.8	6.0	8.1	8.5	6.2	8.6	5.7	\$\$
1813	AARP Insured TF General Bond	MBIS	18.36	▲ 2	▲ 3	3	6.2	3.1	6.3	8.5	8.2	6.7	8.8	4.7	\$
S	Accessor Growth Fund	GR	23.96	2	3	1	29.9	5.8	26.3	38.3	28.3	21.7	—	0.6	\$
1634	Accessor Mortgage Securities	GM	12.64	2	2	▲ 2	6.8	2.9	7.1	10.2	9.3	6.4	—	5.8	\$
S	Accessor Small to Midcap Portfolio	SC	24.22	2	3	—	35.7	20.1	41.5	44.5	29.6	—	—	0.1	\$\$
S	Accessor Value & Income	IN	22.21	2	3	2	31.2	12.0	29.4	44.6	29.2	20.6	—	1.1	\$
708	Acorn Fund	SC/SB	18.14	3	3	3	25.9	14.4	29.1	31.2	21.1	21.5	15.6	0.4	\$
964	Acorn International Fund	FO	19.85	4	2	3	7.5	-0.7	5.2	11.9	9.5	16.7	—	0.7	\$
160	Addison Capital Shares	GRVL	30.56	1	▲ 2	3	27.1	8.5	25.6	37.3	28.3	20.1	12.8	0.6	\$\$
S	Advantus Cornerstone Fund A	GR	17.76	1	2	—	27.1	9.7	21.1	38.3	28.9	—	—	0.6	\$\$\$
1635	Advantus Mortgage Secs Income A	GM	10.58	2	3	3	7.0	3.3	7.2	10.4	9.5	6.6	9.4	6.4	\$\$\$
1127	Advantus Spectrum Fund A	AA	16.10	4	2	5	13.5	3.6	15.5	16.6	16.2	11.0	—	2.1	\$\$\$
1345	Aetna Bond Fund Select	CG	10.25	3	3	3	6.2	3.0	6.2	9.2	8.7	6.2	—	6.1	\$
1231	Aetna Fund Select	FL	14.11	3	2	4	19.4	8.9	20.0	24.5	20.2	13.8	—	1.9	\$\$
432	Aetna Growth & Income Select	GI	18.18	1	3	▲ 2	34.5	14.4	32.7	48.7	31.4	20.2	—	0.9	\$
S	Aetna Intl Growth Select	FO	13.78	3	3	3	21.7	4.2	16.0	34.7	16.4	15.3	—	1.0	\$\$
S	Aetna Small Company Fund Adviser	SC	15.24	3	4	—	38.9	17.5	39.0	40.6	30.3	—	—	0.0	\$\$\$
1138	AIM Advisor Flex Fund C	AA	77.57	3	1	3	20.7	6.6	18.9	27.6	20.2	14.8	—	1.4	\$\$\$
S	AIM Advisor Income Fund C	CG	49.53	5	4	3	5.0	2.8	5.9	7.6	8.1	5.5	7.3	5.3	\$\$
501	AIM Advisor Large Cap Value Fund C	GILB	98.17	2	3	2	26.9	7.3	24.9	33.8	24.9	18.2	11.6	2.5	\$\$
S	AIM Advisor Real Estate Fund C	RE	44.24	—	—	—	19.6	42.7	—	—	—	—	—	2.1	—
102	AIM Aggressive Growth Fund	AG/SB	50.26	3	5	2	24.8	19.5	44.9	18.2	28.6	31.6	19.6	0.0	\$\$\$
1155	AIM Balanced A	BA	26.32	3	2	3	23.8	11.3	25.9	29.5	25.1	19.3	12.8	2.0	\$\$\$
433	AIM Blue Chip Fund A	GILB	31.12	▼ 2	3	2	29.9	9.5	29.4	37.3	29.0	19.3	13.7	0.2	\$\$\$
434	AIM Charter Fund A	GILB	13.48	2	3	3	27.9	9.8	29.1	35.5	26.3	18.3	14.3	1.0	\$\$\$
103	AIM Constellation Fund A	AG/GW	29.38	3	4	2	23.6	14.4	32.3	24.7	24.9	22.6	17.7	0.0	\$\$\$
932	AIM Global Utilities A	UT	17.83	3	2	4	16.5	6.5	17.7	28.1	18.8	11.6	—	2.9	\$\$\$
161	AIM Growth Fund A	GR/GW	17.76	3	4	3	26.3	12.5	30.6	30.4	25.9	16.4	10.9	0.0	\$\$\$
1302	AIM High Yield Fund A	CH	10.17	1	3	1	10.6	5.7	10.4	15.8	13.9	11.9	12.2	8.5	\$\$\$
1514	AIM Income Fund A	DB	8.53	2	▼ 4	2	8.7	5.0	9.8	15.2	13.1	9.0	10.3	6.3	\$\$\$
1545	AIM Intern Government Fund A	CS/IT	9.40	3	3	4	6.1	3.0	6.6	9.0	8.0	5.4	7.7	6.4	\$\$\$
965	AIM International Equity A	FO	16.93	4	3	—	14.8	3.1	14.7	21.4	15.2	—	—	0.1	\$\$\$
1546	AIM Limited Maturity Treas A	CS/ST	10.07	3	1	3	4.5	1.8	3.8	6.3	6.2	4.8	—	5.3	\$
1814	AIM Municipal Bond A	MBLT	8.27	3	2	3	5.0	2.2	4.8	7.1	6.9	6.2	8.5	5.0	\$\$
162	AIM Summit Fund	GR/GW	15.21	3	4	3	30.7	14.9	34.8	34.7	27.8	19.9	14.1	0.2	\$\$\$
163	AIM Value Fund A	GRLB	35.84	2	3	▼ 2	26.0	8.5	27.9	35.1	24.5	21.7	18.0	1.0	\$\$\$
164	AIM Weingarten Fund A	GR/LG	22.78	3	4	3	28.5	11.8	30.6	33.5	26.3	17.2	14.1	0.2	\$\$\$
S	Alger Balanced Fund B	BA	14.50	4	3	4	21.3	8.8	22.3	19.4	12.8	—	—	0.3	\$\$\$
S	Alger Capital Appreciation Fund B	GR	26.13	3	5	—	29.2	13.2	34.9	26.8	41.2	—	—	0.0	\$\$\$
165	Alger Growth Fund B	GR/LG	11.54	3	4	2	28.9	11.8	30.0	32.5	26.9	22.2	15.6	0.0	\$\$
S	Alger Midcap Growth Fund B	GR	22.40	3	4	—	24.9	15.7	32.9	25.6	29.2	—	—	0.0	\$\$
709	Alger Small Cap Fund B	SC/GW	10.31	4	5	3	19.4	17.5	35.1	15.8	24.0	18.8	17.1	0.0	\$\$\$
1156	Alliance Balanced Shares A	BA	16.49	3	2	▲ 4	23.4	11.3	24.5	29.8	19.2	12.8	10.1	1.7	\$\$\$
1547	Alliance Bond US Government A	CS/LT	7.54	5	3	4	5.3	3.0	6.5	8.5	7.2	5.2	7.8	7.6	\$\$
1366	Alliance Corporate Bond A	CG	14.24	2	5	2	11.6	5.4	12.9	18.5	14.0	12.6	12.5	8.2	\$\$\$
164	Alliance Fund A	GR/LG	9.09	▲ 2	4	2	40.1	20.8	38.4	54.3	30.1	22.4	14.9	0.2	\$\$\$
1025	Alliance Global Small Cap A	GL	12.60	4	3	3	16.0	5.7	17.8	18.8	18.9	16.9	7.8	0.0	\$\$\$
435	Alliance Growth & Income A	GILB	3.48	2	3	3	27.1	11.1	24.9	40.5	28.8	19.2	13.3	1.2	\$\$
167	Alliance Growth Fund B	GR/LB	36.61	3	▼ 4	1	23.4	10.1	29.1	34.2	23.8	22.8	—	0.0	\$\$
S	Alliance Income Builder Fund C	BA	12.57	3	▲ 1	5	17.5	5.6	16.1	25.4	17.1	11.5	—	3.3	\$\$\$
1636	Alliance Mortgage Secs Income A	GM	8.62	3	2	4	6.4	2.7	6.2	9.5	8.6	5.9	8.6	6.6	\$\$\$
1731	Alliance Multi Market Strategy A	IB/GL	7.11	3	5	3	5.8	2.6	4.9	10.1	6.2	4.8	—	9.1	\$\$\$
1784	Alliance Muni Income CA A	MC/LT	11.03	3	5	2	7.7	4.2	8.3	10.8	10.2	7.6	9.3	5.1	\$\$
1785	Alliance Muni Income Ins CA A	MC/IS	13.87	3	5	2	7.2	3.4	8.0	9.7	9.9	7.0	8.7	4.8	\$\$
1815	Alliance Muni Income Ins Ill A	MBIS	10.48	3	5	2	6.6	3.6	8.1	9.6	10.0	7.3	8.9	4.8	\$\$
1816	Alliance Muni Income Nall A	MB/LT	10.93	2	5	2	7.3	3.4	7.6	10.6	10.0	7.3	9.4	5.2	\$\$
1977	Alliance Muni Income NY A	MY/LT	10.09	3	5	3	8.0	3.6	8.5	11.2	9.9	7.1	9.2	5.3	\$\$\$
953	Alliance New Europe Fund A	EU	18.72	3	2	3	20.4	8.3	16.1	32.5	20.7	18.6	—	0.8	\$\$\$
168	Alliance Premier Growth Fund B	GR/LG	20.89	3	4	2	35.6	13.3	37.4	52.6	33.4	22.2	—	0.0	\$\$\$
710	Alliance Quasar Fund A	SC/SB	29.39	3	4	▼ 3	24.6	13.2	26.7	27.8	33.5	24.6	13.0	0.0	\$\$\$
915	Alliance Technology A	TC	55.13	3	5	2	25.1	20.4	43.0	30.5	33.2	17.0	0.0	\$\$\$	
169	AMCAP Fund	GR/LG	16.24	3	3	3	25.3	10.7	27.1	32.1	22.5	17.1	12.5	0.6	\$\$\$

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that the fund is covered in our Supplemental Edition of about 500 newer and smaller funds. A “P” followed by a number means that coverage of the fund is pending and will be available in the coming edition on the page number listed.

- Value Line groups each fund into one of 31 different **Investment Objective** categories based on its investment practices and stated goals. A two-letter code denotes each fund’s objective. These codes are explained on page 2 of each “Performance & Index,” and the objective groups are described in more detail in pages seven through nine of this manual.
- The fund’s **NAV**, or net asset value (price) per share, is listed as of the date indicated at the top of the column.

4. The fund's **Overall** and **Risk ranks** are listed. A detailed explanation of the Value Line Ranking System can be found on pages 13-15 of this manual. A change in either the Overall or the Risk rank is indicated with an up or down arrow (▲ or ▼) next to the new ranking. These arrows enable subscribers to spot quickly those funds that are rising or falling in rank.
5. **Five-Year Growth Persistence** is a measurement of how consistently the fund outperformed its investment-objective peers over the last five years. Growth Persistence rewards a fund for its consistency of positive relative performance, but not for the degree to which it outperformed, and is one of the measures used to calculate the Overall rank. A more detailed explanation of Growth Persistence can be found on page 28 of this manual.
6. The fund's **Performance History** is listed for the trailing year-to-date, three-month, six-month, one-, three-, five-, and 10-year periods, as of the date indicated at the top of these columns. For periods of up to one year, figures are expressed as the total return for that period; for periods of over one year, figures are expressed as average annualized rate of return. A dash indicates that the fund does not have sufficient performance history for that time period.
7. **Yield** is the total of the fund's income received from investments and paid to its shareholders, expressed as a percentage of the purchase price of the security. ValueLine calculates yield by dividing the total dividends paid per share during the trailing 12 months by the sum of the fund's offer price (NAV plus any sales charge) and any capital gains (per share) paid during that 12-month period. For more information, see page 12 of this manual.
8. **Ownership Cost** measures the maximum costs an investor would incur in owning a fund for three years, including fund management fees and other expenses, 12b-1 fees, and applicable sales charges. These are combined to produce a raw number, and the funds are then ranked and divided into three groups. The least expensive third are indicated with a \$, the middle third with \$\$, and the most expensive third with \$\$\$. By combining all costs associated with owning fund shares, the Ownership Cost measure provides a useful screening tool for investors to quickly assess a variety of fees and expenses across a range of investment candidates.

*The importance of different components of **Ownership Cost** varies depending on the length of time money is invested in a mutual fund. For example, sales loads are relatively large one-time charges and are thus an important consideration for shorter-term investments. Expense ratios (including 12b-1 fees) represent annual charges and are thus a more important consideration for longer-term investing.*

The "Performance & Index" section complements the "Ratings & Reports" section. Both offer a wealth of information on the funds covered in *The Value Line Mutual Fund Survey*. The summary, tabular presentation in the "Performance & Index" section, however, enables investors to compare information on a large number of funds at once, making it easy to spot suitable candidates. It is then a simple matter of turning to the full-page profile for more extensive and detailed information on a specific fund.

Every month subscribers receive the Value Line "Mutual Fund Advisor," a 12-page newsletter covering investment trends and ideas. Each issue includes featured fund highlights, articles on current investment topics, fund news and developments, and, from Value Line's investment management group, perspective on the current economic outlook and specific investment advice. The latter is intended to help investors make decisions concerning their portfolios. Annual subscribers to *The Value Line Mutual Fund Survey* receive a three-ring binder to hold issues of the Value Line "Mutual Fund Advisor."

THE VALUE LINE
MUTUAL FUND ADVISOR

THE VALUE LINE PAGE

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A sample page of “Ratings & Reports” is shown on the previous page. It contains a tremendous amount of information — one reason why the Value Line format is so effective and popular with investors. With all the essential information on a single page, investors have at their fingertips everything they need to make an informed mutual fund investment decision.

The page layout is designed to present information in a logical, concise and easy-to-use manner. The following sample page presents the overall layout with descriptions of each item on the page.

THE VALUE LINE PAGE

1. NAME / PEER GROUP/ DIVIDEND YIELD / SEC YIELD / NAV / TNA

A. Name

The name of the fund and its ticker symbol.

B. Peer Group

Funds in the Value Line universe are divided among 31 investment objectives, which fall into six investment-objective categories, as follows:

General Equity — 5 objective groups

Aggressive Growth (AG) - Invests predominantly in higher-risk common stocks or has a stated policy of maximum growth without regard to income or time horizon.

Growth (GR) - Pursues long-term growth via common stocks, usually with income as a secondary objective.

Growth / Income (GI) - Places equal emphasis on capital growth and current income or growth of income, mainly through investment in common stocks.

Income (IN) — Seeks income primarily through investment in common stocks. Growth may or may not be a secondary objective.

Small Company (SC) - Stated policy is to invest primarily in common stocks of companies with market capitalization of less than \$1 billion.

Specialty Equity — 8 objective groups

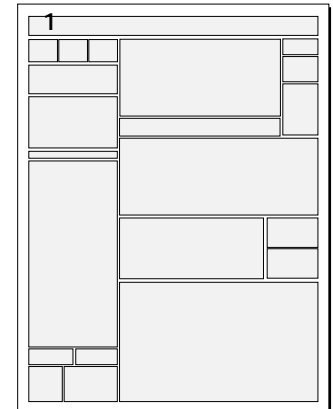
Energy / Natural Resources (EN) - Stated policy is to invest at least 50% of assets in common stocks of energy and/or natural resources companies.

Financial Services (FS) - Stated policy is to invest at least 50% of assets in common stocks of financial services and related companies.

Health (HL) - Stated policy is to invest at least 50% of assets in companies primarily engaged in health care and related businesses.

Other (OT) - Stated policy is to invest at least 50% of assets in stocks of companies in a specific sector for which no other category is defined.

Precious Metals (PM) - Stated policy is to invest at least 50% of assets in gold and/or precious metals stocks or bullion.



Funds are categorized in The Value Line Mutual Fund Survey by their stated investment objectives and policies.

Real Estate (RE) - Invests at least 30% of assets on real estate or related companies, including real estate investment trusts (REITs).

Technology (TC) - Stated policy is to invest at least 50% of assets in stocks of companies that develop or are expected to benefit from advanced technologies.

Utilities (UT) - Stated policy is to invest at least 50% of assets in utilities securities, including telephone or cable television companies.

International Equity — 4 objective groups

European Equity (EU) - Invests at least 50% of net assets in equity securities of European companies.

Foreign Equity (FO) - Invests at least 50% of assets in common stocks of non-U.S. companies.

Global Equity (GL) - Invests in common stocks of both U.S. and foreign companies.

Pacific Equity (PB) - Invests at least 50% of assets in equity securities of Pacific Basin (including Japanese) companies.

Partial Equity — 4 objective groups

Asset Allocation (AA) - Uses optimization or asset allocation model to determine most favorable allocation among asset classes, usually in pursuit of total return. Often exhibits characteristics similar to those of Balanced funds (see below).

Balanced (BA) - Committed to maintaining a balance between stocks and bonds. Must have a stated policy to invest at least 25% of assets in bonds at all times. Stated objectives must be growth, income, and preservation of capital.

Convertible (CV) - Invests mainly in actual or synthetic convertible securities. Objectives may range from growth to income.

Flexible (FL) - May invest in stocks, bonds, or cash to any degree, usually in pursuit of income or total return.

Taxable Fixed Income — 6 objective groups

Corporate-High Yield (CH) - Invests specifically in lower-rated corporate bonds in pursuit of high current income. Some have secondary objective of growth.

Corporate-High Quality (CG) - Invests in corporate fixed-income securities in pursuit of current income.

Diversified Bond (DB) - Invests in a mix of corporate and government fixed-income securities in pursuit of current income.

Government (GS) - Invests at least 75% of assets in U.S. Government and Agency securities.

Government-Mortgage (GM) - Invests at least 75% of assets in mortgage-backed securities such as GNMA, FNMA, and FHLMC issues.

International Bond (IB) - Invests in foreign and U.S. bonds or exclusively in foreign fixed-income securities in pursuit of current income.

Tax-Free Fixed Income — 4 objective groups

Muni California (MC) - Invests at least 75% of assets in municipal securities in pursuit of income that is exempt from both federal and California state income taxes.

Muni National (MB) - Invests at least 75% of assets in municipal securities in pursuit of income that is exempt from federal income taxes.

Muni New York (MY) - Invests at least 75% of assets in municipal securities in pursuit of income that is exempt from both federal and New York state income taxes.

Muni Single State (MS) - Invests at least 75% of assets in municipal securities in pursuit of income that is exempt from federal and specific state income taxes.

In addition, funds within particular investment objectives often share an even more specific investment focus within the context of their larger peer group. These funds have been grouped into more specialized sub-peer groups within specific investment objectives—with the exception of domestic **General Equity** funds, where sub-peer groups can actually include funds from any **General Equity** investment objective. Listed below are all peer groups that contain sub-peer groups:

Peer Group	Sub-peer Group	Sub-peer Code
Aggressive Growth	Growth-Oriented	GW
	Large-Cap Blend	LB
	Large-Cap Growth	LG
	Large-Cap Value	LV
	Small-Cap Blend	SB
	Small-Cap Growth	SG
	Small-Cap Value	SV
Asset Allocation	Value-Oriented	VL
	Global	GL
Balanced	Global	GL
Corporate High-Quality	Intermediate Maturity	IT
	Short Maturity	ST
Diversified Bond	Foreign Bonds	FO
	Intermediate Maturity	IT
Foreign Equity	Emerging Markets	EM
	Latin America	LA
Government	Intermediate Maturity	IT
	Short Maturity	ST
Government-Mortgage	Adjustable Rate	AJ
	Intermediate Maturity	IT
	Short Maturity	ST

Growth	Growth-Oriented	GW
	Large-Cap Blend	LB
	Large-Cap Growth	LG
	Large-Cap Value	LV
	Small-Cap Blend	SB
	Small-Cap Growth	SG
	Small-Cap Value	SV
Growth/Income	Value-Oriented	VL
	Large-Cap Blend	LB
	Large-Cap Growth	LG
	Large-Cap Value	LV
	Small-Cap Blend	SB
	Small-Cap Value	SV
	Value-Oriented	VL
Income	Large-Cap Blend	LB
	Large-Cap Value	LV
	Value-Oriented	VL
International Bond	Foreign	FO
	Global Bond	GL
	Short Maturity	ST
Muni National	High Yield	HY
	Insured	IS
	Intermediate Maturity	IT
	Long Maturity	LT
	Short Maturity	ST
Muni California	High Yield	HY
	Insured	IS
	Intermediate Maturity	IT
	Long Maturity	LT
	Short Maturity	ST
Muni New York	Intermediate Maturity	IT
	Short Maturity	ST
Pacific Equity	Japan	JP
	Non-Japan	NJ
Small Company	Growth-oriented	GW
	Small-Cap Blend	SB
	Small-Cap Growth	SG
	Small-Cap Value	SV
	Value-Oriented	VL
Utilities	Global	GL

Note: Sub-peer groups for the Muni Single State category are individual states, and codes for such groups are the appropriate state abbreviation; e.g., MA for the Massachusetts sub-peer group.

Sub-peer Group Definitions

Adjustable Rate - Invests primarily in fixed-income securities that have variable coupons.

Emerging Markets - Invests at least 50% of assets in common stocks of companies located in countries with developing economies (as opposed to those with more stable or mature economies, such as Japan or most European countries).

Foreign Bonds - Invests at least 50% of assets in bonds of foreign governments and non-U.S. companies.

Global - Invests in securities (stocks, bonds, or both depending upon the fund's objective) issued in both the U.S. and in foreign companies.

Growth-Oriented - Invests primarily in "growth" stocks, or those whose prices are expected to rise due to anticipated growth in the companies' revenues and earnings, with no great bias toward either large or small companies.

High Yield - Invests at least 50% of assets in lower-rated municipal bonds in pursuit of high income exempt from federal and possibly state income taxes.

Insured - Invests at least 50% of assets in municipal bonds whose principal and interest payments are guaranteed, in pursuit of high income exempt from federal and possibly state income taxes.

Intermediate Maturity - Invests at least 50% of assets in bonds with intermediate maturities, usually those with maturities between 4 and 7 years.

Japan - Invests at least 50% of assets in common stocks of Japanese companies.

Large-Cap Blend - Invests primarily in large companies (generally those with market capitalizations exceeding \$10 billion), with no large bias towards either growth or value stocks.

Large-Cap Growth - Invests primarily in large companies (generally those with market capitalizations exceeding \$10 billion), with a focus on growth stocks.

Large-Cap Value - Invests primarily in large companies (generally those with market capitalizations exceeding \$10 billion), with a focus on value stocks.

Latin America - Invests at least 50% of assets in common stocks of Latin American companies.

Long Maturity - Invests at least 50% of assets in bonds with long maturities, usually those with maturities of 8 years or greater.

Non-Japan - Invests at least 50% of assets in the equity of Pacific Basin (excluding Japanese) companies.

Small-Cap Blend - Invests primarily in small companies (generally those with market capitalizations not exceeding \$2 billion), with no large bias towards either growth or value stocks.

Small-Cap Growth - Invests primarily in small companies (generally those with market capitalizations not exceeding \$2 billion), with a focus on growth stocks.

Small-Cap Value - Invests primarily in large companies (generally those with market capitalizations not exceeding \$2 billion), with a focus on value stocks.

Short Maturity - Invests at least 50% of assets in bonds with short maturities, usually those with maturities of 3 years or less.

Value-Oriented - Invests primarily in “value” stocks, or those whose prices are regarded as undervalued relative to current earnings, revenues, or assets, with no great bias toward either large or small companies.

Note: Sub-peer groups for the Muni Single State category are individual states, and funds within such sub-peer groups invest at 75% of their assets in the municipal securities of an individual state in pursuit of income exempt from federal and state taxes.

C. Dividend Yield

A fund’s yield is the total of its income received from investments and paid to its shareholders, expressed as a percentage of the purchase price of the security. Value Line calculates yield by dividing the total dividends paid per share during the trailing 12 months by the sum of the fund’s offer price (price charged to the investor that reflects any applicable sales charge) and any capital gains (per share) paid during that 12-month period.

Value Line’s yield figure is designed to give a realistic measure of the income an investor might expect to receive from a mutual fund. For that reason, sales charges and capital gains payments are accounted for in the yield calculation. The following example shows why these factors are important in determining yield:

Suppose a fund has a bid price (NAV) of \$10 per share and a front-end sales charge of 4%. Over the trailing 12 months, the fund paid dividends totaling 50 cents a share and capital gains of \$2.50 a share. The fund’s actual yield, then, is not 5% (50 cents divided by \$10), but rather less than that, because an investor will pay an offer price of \$10.42 [$\$10 / (1 - .04)$], and the \$2.50 in capital gains represents a portion of shareholders’ capital. Value Line’s calculation factors in these additional measures in order to derive the actual percentage of a shareholder’s investment he or she receives in the form of income. The trailing 12-month yield for this fund would therefore be:

$$\frac{\$0.50}{\$10.42 + \$2.50}$$

or 3.9%. This is quite a different figure from the 5% that is derived simply by dividing the dividends by the current NAV and more realistically reflects the income an investor can expect to receive on his or her actual investment.

D. SEC Yield

A yield calculation created by the Securities and Exchange Commission to standardize yield quotes. This calculation utilizes the fund’s net investment

*A fund’s **yield** is the income received from its investments, either in the form of interest payments from bonds or dividend payments from equities, and paid to its shareholders as dividends. Yield is expressed as a percentage of the purchase price of the fund, and therefore Value Line accounts for sales charges and capital-gains distributions in its calculation in order to derive the actual percentage of an investor’s principal received in the form of dividends.*

income over the last 30 days, but eliminates income derived from such sources as capital gains and options writing. The formula also uses the fund's offer price at the end of the 30-day period, accounts for all fund expenses during this period, and also adjusts income from premium or discounted bonds to reflect the amortization of said bonds. SEC yields are usually quoted for bond funds.

E. NAV

NAV, or Net Asset Value, is the share price of a mutual fund. It is calculated by dividing the total net assets of the fund by the total number of shares outstanding. Value Line lists NAV as of the latest available month end prior to the issue date; that is, if the issue date is February 24, then the NAV is as of January 31.

An investor purchasing shares of a fund with a front-end sales charge will pay a higher price—the offer price—which is calculated by dividing the amount invested by the actual number of shares purchased. For example, a person investing \$1,000 in a fund with a 5% load and NAV of \$10 actually invests only \$950. He or she receives 95 shares and thus pays an offer price of $\$1,000 \div 95$ or \$10.53.

F. Total Net Assets (TNA)

The asset figure shown reflects total net assets at current market value less liabilities.

2. RANKS / FIVE-YEAR RETURN

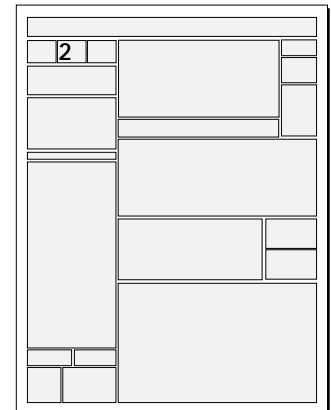
A. Ranks

Rankings are useful because they digest important performance and risk statistics into a single measure, facilitating comparisons across a broad universe of funds.

Rankings that are either too broad or too specific in their groupings can be deceptive; over the long run, for example, an aggressive growth fund will typically outperform a municipal bond fund. If these two are ranked against each other, the rankings will not reflect that they have entirely different portfolios and investment objectives. On the other hand, if a small group of funds, such as precious metals funds, was ranked independently, these rankings would not reflect the historically weak performance or high volatility inherent in this group relative to the broader market.

Many other qualities of mutual funds come into play on the level of the individual investor: income requirements, time horizons, taxes, etc. These and other factors fall outside the realm of rankings, and an investor must consider them as well in order to make an informed decision.

Value Line uses a dual ranking system whereby each fund receives an Overall Rank, measuring various performance criteria taking risk into account, and a Risk rank, to show the total level of risk the fund has assumed. Funds are ranked from 1 to 5, with 1 being the Highest Overall Rank (the best risk-adjusted performance) and the best Risk Rank (the least risky).



Ranks are useful as a preliminary screening tool for investors seeking a mutual fund. Of equal or greater importance in an investor's selection process are individual investment goals and needs, risk tolerance, time horizons, income requirements, and tax liability. All of these factors, and others, should be considered before making an investment decision.

Overall Ranks are calculated separately for each of three broad categories: equity and partial-equity funds, taxable fixed-income funds, and municipal bond (tax-free) funds. Value Line calculates Overall Ranks on the basis of three critical factors: five- and one-year persistence of relative growth in fund returns, and three-year risk-adjusted performance. Growth Persistence, shown individually in the Rankings box on the page (middle right side), is a proprietary Value Line measure that rewards funds for the consistency with which they outperform their broader universe of equity, taxable fixed income, or municipal bond funds. Funds are rewarded only for the consistency with which they outperform, not for the magnitude of the outperformance (see section 16 for a more detailed explanation of Growth Persistence). The three-year risk-adjusted performance is calculated by dividing a fund's three-year total return by its standard deviation. These three measures are combined into a total score, and the funds are then ranked from 1 (Highest) to 5 (Lowest).

Risk Ranks are calculated for each of two broad categories: equity and partial equity funds, and taxable and tax-exempt fixed-income funds. The ranks are based on standard deviation, a measure of a fund's volatility (see section 14 for a more detailed explanation of standard deviation). Value Line uses a three-year period for this calculation, which provides enough data for reliable measurement without overweighting data that are too old to be relevant. Standard deviation measures the variation of a fund's returns, exclusive of any other factors. It is, therefore, a more reliable indicator of a fund's risk than other statistics, such as beta, which measures the sensitivity of a fund against an independent index like the S&P 500. Standard deviation accounts for both positive and negative returns equally and thus gives an indication of the potential swings in a fund's performance. Because it makes no distinction between upside and downside volatility, standard deviation will tend to give a more conservative indication of the risk a fund has historically incurred.

Overall and Risk Ranks are distributed across the Value Line mutual fund universe as follows:

Ranking distributions

Rank	% of Funds
1 - Highest / Safest	10
2 - Above Average / Lower Risk	20
3 - Average / Average Risk	40
4 - Below Average / Higher Risk	20
5 - Lowest / Highest Risk	10

The broad categories used for the Risk and Overall Ranks allow for easy comparison of a large number of funds. While some may find it useful to see funds ranked within narrow categories, such a system makes it impossible to meaningfully compare funds across these categories. For example, if small-company funds are ranked in isolation, there is no way to compare the rank of a fund in this group to that of a large-cap fund with a similar objective. Under the Value Line Ranking System, investors can use ranks to compare entire classes of funds to one another. For those who wish to compare funds solely

to others in the same objective group, average rankings are provided for each group in the Rankings box on the page. (In addition, averages for objective groups are provided for all performance and risk statistics.) At the other end of the spectrum, all funds could be ranked together on a single scale. Such a system, however, would blur the distinctions between funds; it is meaningless to rank a municipal bond fund against an aggressive growth fund, since they have completely different portfolios and investment objectives. By ranking across three separate groups, Value Line's Ranking System provides meaningful comparisons between both individual funds and types of funds, without blurring the distinctions between ranks.

B. Five-Year Return

Value Line uses an annualized figure, rather than a total percentage, for most of its return figures, including five-year return. This measure is the annual return that, compounded over five years, will equal the total return that the fund produced over the last five years. For example, a fund that has gained 50% over the last five years will show an annual return of 8.3%, not 10% as some may believe.

3. PAST MARKET CYCLE (PMC) PERFORMANCE

This box shows the fund's total (not annualized) performance, as well as that of its objective group and the S&P 500, during the latest bull and bear market cycles, as well as the 1987 bear market. These figures offer an indication of a fund's up- and downside potential.

4. FUND INFORMATION

This section contains details about minimum investments, frequency of dividend payments, and special services. (See Part II of the User's Guide for a more detailed description of the services offered by many mutual funds.) It also lists the fund's address and telephone number, companies serving as advisor and/or subadvisor, number of shareholders, fiscal year end, date of inception, and number of funds offered by the family (not including money-market funds).

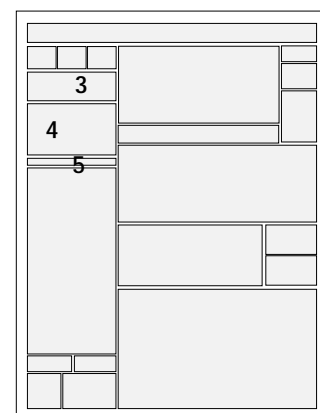
5. PORTFOLIO INFORMATION

This area of the Value Line page provides varying statistics depending on each fund's investment-objective category.

>> For **domestic** General Equity, Special Equity, and Partial Equity funds, the Portfolio Information section contains the following statistics:

Sector Weightings

The percentage of assets in each of 10 broad equity-market sectors, with the relative weighting in each sector compared to that of the overall market. To indicate changes in portfolio weightings between publication cycles, arrows appear next to sectors where a fund's weighting has changed by at least 5% since the last time it appeared in "Ratings & Reports," pointing in the direction of the change (up or down).



Although for specialized funds it may seem irrelevant to indicate sector breakdown, most specialized portfolios diversify to some degree. As much as 50% of assets could be invested outside their respective focus sectors.

Composition

The percentage of the fund's net assets invested in common stocks, preferred stocks, bonds, convertible securities, other asset classes, and cash. Also shown is the percentage of the fund's assets invested in foreign securities, and the percentage of assets hedged back to the U.S. dollar (where applicable).

Statistics

This section provides four useful measures for analyzing a fund's investment style: price/earnings, price/book, five-year earnings growth, and market capitalization. These are described in detail below.

The figures are derived by computing the dollar-weighted average of the fund's underlying equity holdings. A weighted average provides the best indication of how a fund can be expected to behave in regard to these measures. Because the statistics are not always available or meaningful for all of a fund's underlying holdings, the "percentage of stocks" column indicates the percentage of the fund's equity holdings for which statistics were available.

a. Price / Earnings (P/E) Ratio

The price of a stock divided by its earnings per share. Value Line lists a fund's dollar-weighted average trailing P/E ratio, using current prices and reported earnings from the latest year.

b. Price / Book (P/B) Ratio

A ratio of the price of a stock to its company's book value per share. Stocks of companies that are older, slower-growing, or depressed in price because of poor current earnings performance generally sell at low P/B value. Value Line shows the dollar-weighted average P/B of the fund's underlying holdings.

Together, these two ratios measure how much investors are paying for a company's earning power. Higher multiples indicate higher expectations for a company's future earnings growth. Hence, stocks with higher multiples relative to the overall market are known as growth stocks. These usually fast-growing companies are riskier than companies with lower multiples, because a failure to meet earnings expectations can sometimes result in sharp declines in the stock price. Stocks with lower multiples are generally known as value stocks and tend to be shares of more stable companies in mature or slow-growing industries or companies that have fallen out of favor. Value Line uses these two ratios to measure an equity fund's Management Style (section 8).

c. Five-year Earnings Growth

The trailing five-year average annual earnings-per-share growth of all stocks currently held by the fund. This figure offers insight into the fund management's emphasis on the historical earnings-growth record of its individual holdings.

Price/earnings and price/book ratios are a useful tool in measuring a fund's potential volatility. Generally, funds with higher multiples are more volatile than those with lower multiples.

d. Weighted-Average Market Capitalization

Market capitalization is the value of a corporation as measured by multiplying the number of common shares outstanding by the current market price of a share.

The figure used by Value Line weights the market capitalization of each of the fund's equity holdings according to the amount the fund has invested in each, resulting in an accurate measure of how the fund's portfolio can be expected to behave from a market capitalization standpoint. For example, if a fund invests in three companies with market capitalizations of \$10 billion, \$2 billion, and \$100 million, and has 90% of its assets in the largest, with 10% equally split between the other two, its weighted average market capitalization is \$8.3 billion, as opposed to a median figure of only \$2 billion.

The Management Style Box (section 8) uses the market capitalization figure to indicate the fund's bias toward small or large companies.

Portfolio Holdings

The 20 largest equity holdings of the fund, including the latest available Timeliness™ Rank from *The Value Line Investment Survey*. In addition, the section lists the number of shares held of each stock, the holding's current market value, and its percentage of the fund's total net assets.

>> For International Equity funds (European, Foreign, Global, and Pacific), the Portfolio Information section contains the following information:

Country Weightings

Countries in which the fund is invested are listed in order of the size of the fund's position.

Composition

Percentage of the fund's assets invested in common stocks, preferred stocks, bonds, convertible securities, other asset categories, and cash. Also shown is the percentage of the fund's assets invested in foreign securities, and the percentage of assets hedged back to the U.S. dollar.

Portfolio Holdings

The list of the 20 largest equity holdings of the fund, including the number of shares held, the current market value, and the percentage of the fund's total net assets.

>> For Fixed Income funds, the Portfolio Information section contains the following statistics:

Sector Weightings

This section differs among the various fixed-income investment-objective groups. Relative weightings are shown as a ratio versus appropriate benchmarks. For these purposes, the benchmark is deemed to equal 1.00. A figure above 1.00 indicates a heavier relative weighting, while a figure of less than 1.00 indicates a relative underweighting.

- a. For **Corporate High-Yield** and **Corporate High-Quality** funds, this section indicates the percentage of the fund's assets invested in each of 10

The Value Line

Timeliness™ Rank

measures probable price performance during the next six to 12 months on an easy-to-understand scale from 1 (Highest) to 5 (Lowest). The components of the Ranking System are the long-term trend of earnings, prices, recent earnings and price momentum, and, finally, earnings surprise.

broad sectors, with the relative weighting in each sector compared to the corporate high-yield group as a whole.

- b.** For **Diversified Bond, Government, and Government-Mortgage** funds, this section indicates the percentage of the fund's assets invested in nine broad fixed-income market sectors, with the relative weighting in each sector compared to each fund's peer group.
- c.** For **International Bond** funds, countries are listed in order of the size of the fund's position.
- d.** For **Municipal Bond** funds, this section indicates the percentage of the fund's assets invested in each of nine broad municipal bond market sectors, with the relative weighting in each sector compared to the municipal-bond group as a whole. In addition, for **Municipal National** funds, this section lists the fund's five most heavily weighted states, with the percentage of the fund's assets invested in each.

The remainder of the Portfolio Information section contains the same information for all fixed-income funds, as indicated below.

Composition

Percentage of the fund's assets invested in common stocks, preferred stocks, bonds, convertible securities, other asset classes, and cash. Also shown is the percentage of the fund's assets invested in foreign securities, and the percentage of assets hedged back to the U.S. dollar (where applicable).

Quality

The percentage of the fund's assets invested in each of six credit-quality levels is shown, along with the average quality of the fund's fixed-income holdings. The ratings listed correspond to those used by Standard & Poor's rating service.

Although fixed-income investments tend to be more stable than equities, there are risks involved that investors must be aware of before buying a bond fund. One is credit risk, which can be assessed by examining a fund's credit-quality breakdown and average credit quality. This measures the likelihood that a bond's issuers will be able to meet the coupon and principal payments. A rating of AAA, the highest quality, is reserved for the financially strongest corporate issuers. U.S. Government-backed securities are also considered to be rated AAA. Issues rated BBB or higher are generally regarded as investment-grade securities, indicating that the bond holder can expect with a fair degree of certainty that the bond's payments will be made. Issues rated below BBB are known as high-yield or "junk" bonds, because their issuers are not as financially secure and there is a greater chance that payment obligations will not be met. In return for higher credit risk, lower-rated bonds offer a higher coupon yield (the dividends paid out as interest expressed as a percentage of a bond's par value).

Another risk associated with fixed-income securities is interest-rate or market risk. Because the interest or dividend payments on a fixed-income security are set for the life of the security, the market price of the security will fluctuate in response to changes in interest rates. For example, if interest rates increase, then the price of a bond will fall, because its fixed payments will be lower than those of another bond being issued at current, higher rates. Generally, the

*There are two main risks associated with fixed-income securities. **Credit risk** is the risk that a bond's issuer will be unable to meet the bond's coupon and principal payments. **Market risk** is the potential fluctuation in a bond's price in response to changes in interest rates.*

longer the remaining maturity of a bond, the more sensitive it will be to interest-rate fluctuations. (A widely-used measure of a bond's interest-rate sensitivity is duration, explained in detail below in the Statistics section.) Another component of a bond that determines its rate sensitivity is its coupon. Generally, a bond with a higher coupon will be less vulnerable to interest rate fluctuations, because its high payments will still be relatively attractive in the face of higher rates. The 30-year Treasury bond is used as a benchmark for interest rates, since its maturity is the longest among such securities commonly available, and, having relatively low coupon payments due to its guaranteed security, it is most sensitive to interest-rate fluctuations.

Statistics

This section provides three useful measures for analyzing a bond fund's market risk: modified duration, average maturity, and average coupon. These figures reflect the dollar-weighted average of the fund's underlying fixed-income holdings as reported to Value Line by the funds. For comparative purposes, figures are also shown relative to a pertinent index. For high-yield bond funds, the index used is the Lehman Brothers High Yield Bond Index; for other taxable bond funds, this index is the Lehman Brothers Aggregate Bond Index; for municipal bond funds, the index is the Lehman Brothers Municipal Bond Index. The index is deemed to equal 1.00. If the fund's relative number is less than 1.00, then its duration, maturity, or average coupon is less than that of the average for the bonds underlying the index; if the number is greater than 1.00, the fund's statistic is greater than that of the average for the bonds underlying the index. The statistics are described below:

a. Modified Duration

A bond's duration is a comprehensive measure of its price sensitivity to interest-rate fluctuations. Duration takes into account the two opposing factors of a bond: its price sensitivity as a result of the time until its maturity, and the value of reinvesting its interim coupon payments at varying market interest rates. For example, falling interest rates will increase a bond's price but lessen the value of reinvested coupon payments, because reinvestments must now be made at lower interest rates. On the other hand, rising interest rates will lower a bond's price but increase the value of reinvested coupon payments, because they can be invested at higher current interest rates. The point in time in the bond's life when these two opposing factors exactly offset each other is the bond's duration. Consequently, the fund's maturity as well as its coupon rate directly affect its actual price sensitivity. A zero-coupon bond, for instance, has a duration equal to its maturity, since it pays no interim income, while a bond with a coupon rate that is higher than the prevailing market rate will have a duration considerably less than its maturity.

In essence, duration provides a more complete measure of interest-rate sensitivity than maturity because it accounts for the time value of a bond's interim coupon payments as well as its final principal repayment. The longer a bond's duration, the more its price will fluctuate when interest rates move. As a rule of thumb, the duration indicates the number of percentage points a price of a bond can be expected to gain or lose for each one percent change in interest rates.

Duration functions much like beta for equities in that it measures a bond's price sensitivity to interest-rate changes. That is, a bond's duration indicates how far the bond's price may move in reaction to a one-percent change in interest rates.

Modified duration takes into account the fact that, while the duration measure produces a direct (straight) relationship between interest rates and bond prices, in reality this relationship is not a straight line; in the case of more dramatic interest-rate moves (more than 100 basis points), prices will tend to rise more when rates fall than prices will fall when rates rise the same amount.

b. Average Maturity

A fund’s average maturity is the dollar-weighted average of the maturities of its fixed-income holdings. Maturity represents the date on which a bond’s principal is due to be repaid. In general, longer-maturity bonds are more sensitive to interest rate changes because they have longer durations.

c. Average Coupon

A fund’s average coupon is the dollar-weighted average of the coupon rates of its underlying fixed-income securities. Like maturity, a bond’s coupon rate is a partial measure of its interest-rate sensitivity; higher-coupon bonds are less price sensitive because their higher payments remain relatively attractive in the face of rising interest rates.

Holdings

The list of the 10 largest holdings of the fund includes par value (the amount of the principal to be repaid by the issuer at maturity, in dollars, or other currencies for foreign bonds), coupons, maturity date, current market value, and percentage of the fund’s total net assets.

The remaining page elements apply universally to all investment-objective groups:

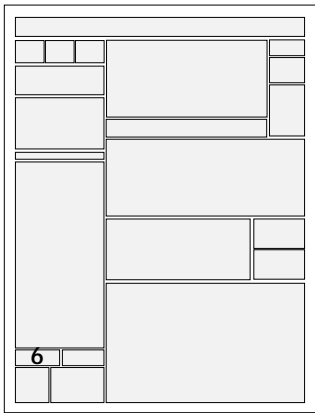
6. PORTFOLIO MANAGER

The name of each **Fund Manager** and the year the manager or managers began their tenure. The length of time a manager has been with a fund increases or decreases the relevance of the fund’s historical performance.

A change in management can have a significant impact on a fund’s style and performance. Thus, it is very pertinent and useful to measure a manager’s effectiveness in rewarding shareholders for the risks incurred by the fund during his or her tenure. Value Line’s **Manager Ratings** measure the risk-adjusted performance of a fund’s management relative to the fund’s peer or sub-peer group (these groups are defined in section 1 above, on page 7). This performance rating is based on the manager’s “value added” while with the fund—that is, the difference between a manager’s actual average annual return while at the fund and the “expected” return as determined by the level of risk assumed relative to the fund’s peers.

In calculating Manager Ratings, risk is measured by the standard deviation of monthly returns since the manager took over the fund, expressed as a ratio to the standard deviation of the fund’s peer group for the same period (after adjusting for the risk-free rate of return on a U.S. Treasury Bill).

Once the fund’s relative risk is measured, it is used to calculate the annualized return that would be “expected” when assuming such a risk level within the



peer group. This “expected” return is subtracted from the fund’s actual average annual return, and the resulting figure can be considered the manager’s “value added” while with the fund. If a manager has been in place for less than two years, no value added is calculated. In addition, the measurement period extends back only to the point when the peer (or sub-peer) group contained at least five funds.

7. TAX STATUS (UNREALIZED APPRECIATION)

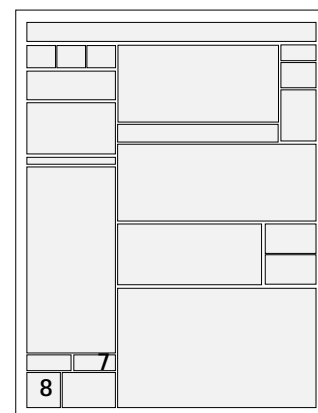
The percentage of a fund’s current net assets that represent gains or losses on securities held. This is calculated by dividing the difference between the current market value of the fund’s portfolio holdings and their cost at the time of purchase by the fund’s current total net assets. If and when these gains are realized through the sale of appreciated securities for a profit, the proceeds must be distributed to shareholders as taxable capital gains.

8. MANAGEMENT STYLE

The Management Style box is a representation of the characteristics of a fund’s securities. For equity funds the vertical axis represents market capitalization of equities in which the fund invests; the horizontal axis reflects the value-growth continuum as measured by the overall price/earnings and price/book ratios of the portfolio’s securities. Lower price/earnings and price/book ratios are value characteristics, while higher ratios are growth characteristics. For purposes of calculating the value-growth score, both of these ratios are calculated on a relative basis—whereby 1.00 equals the average for all equity funds—then weighted so that price/book counts for two-thirds of the final score. The universe of all equity funds is then divided into four equal groups on the basis of these scores. The vertical axis, representing market capitalization, also contains four positions. The bottom row, denoting the smallest market capitalization, includes portfolios whose weighted-average market cap is under \$1 billion. The next row includes funds with average-weighted market caps of \$1 billion to \$5 billion; the third, those with market caps of \$5 billion to \$10 billion; and the top row represents portfolios with weighted-average market caps greater than \$10 billion.

For bond funds, the vertical axis indicates the quality of the holdings, based on the issuers’ creditworthiness as measured by a rating agency, while the horizontal axis represents the average maturity of the portfolio. The credit-quality axis is divided into four groups based on the weighted-average credit rating of each fund’s bond holdings. An average rating of AAA appears in the highest box, AA to A in the next highest box, BBB in the next, and below BBB in the lowest box. The horizontal axis of the box indicates the weighted-average maturity of each fund’s fixed-income holdings. The lefthand or shortest position represents a weighted-average maturity of under three years; the next represents a weighted-average maturity of between three and seven years; the next an average of between seven and 10 years; and the righthand box represents an average maturity of more than 10 years.

The number inside the box represents the fund’s quintile ranking, based on its performance over the trailing 12 months versus the universe of funds that fall into the same management style square. The choice of 12-month performance represents a balance: a longer period would be less relevant given the



The numeral in the Management Style box indicates how the fund has performed over the last 12 months compared to all other funds that fall in the same management style square.

rate at which style boxes change, while a period of less than one year is not long enough to provide a meaningful basis of comparison. A dash in the style box indicates that there are not sufficient meaningful statistics for the fund's holdings with which to judge its relative performance.

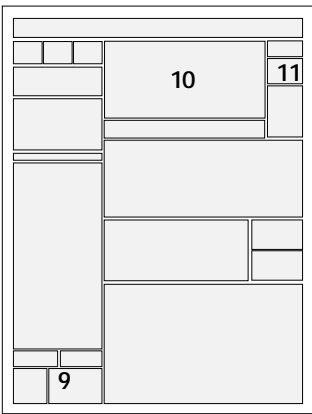
In essence, this Ranking compares a fund to a peer group based solely on management style. Peer groups are more commonly defined by the stated investment objectives of the funds. By providing this added performance dimension to style analysis, investors are able to move beyond simply identifying a particular management style and make meaningful assessments as to how well that style is being implemented.

9. QUARTERLY TOTAL RETURN

Quarterly total returns are shown here for the past five years, for each calendar quarter. This information demonstrates how a fund's return varies from quarter to quarter, and provides an indicator of the fund's volatility.

10. PERFORMANCE GRAPH

This graph illustrates the results of a \$10,000 investment over the last 15 years (or over the life of the fund if it has a shorter history), assuming reinvestment of capital gains and income dividends. For comparative purposes, results are also shown for the relevant index. Results are plotted monthly. The current value of the initial \$10,000 investment in the fund is also listed in the Total Return inset.



For funds with a front-end sales load, the investment is assumed to be made at the current sales charge. These data enable an investor considering a load fund to evaluate the effects of the sales charge on an actual investment, as compared to a relevant index, over a long time period. Historical performance data excluding sales charges are available as well, in the **Performance** box (see section 17).

In addition, the **Performance Graph** includes down-pointing arrows to indicate when new managers took over the administration of the fund, which provides an additional indication of how a particular manager may have contributed to a fund's performance. Up-pointing arrows are also included to show dates when a fund underwent a major policy shift, such as a dramatic shift in its investment objective.

11. LOAD-ADJUSTED RETURNS

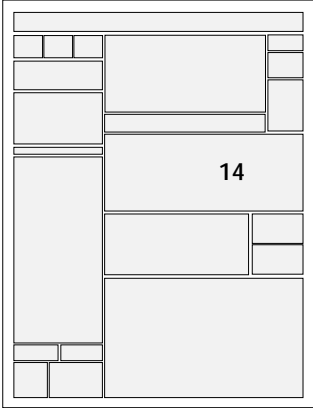
This box displays a fund's annualized load-adjusted returns for the past one, five, and 10 years, as well as since the fund's inception, assuming all investments were made with the maximum front-end sales charge, as well as any applicable redemption fees or deferred sales charges. As with the **Performance Graph** (see section 10), these returns allow an investor to consider the impact of a fund's load on its overall performance, especially by comparing load-adjusted returns to returns that exclude sales charge as shown in the **Performance** box (see section 17).

reflects underperformance.

Value Line derives the Relative Performance graph from monthly performance data for the fund and its peer group. The curve compares the fund's relative performance for the current month with its relative performance for the preceding month, resulting in a slope that reflects changes in relative performance over time.

14. HISTORICAL ARRAY

This section of the Value Line page provides historical statistical information pertaining to the fund and to its peer group and relevant index for the preceding 15 years, or for the life of the fund if it is a younger portfolio. Data shown for prior years are based on the calendar year, with the exception of the expense ratio, portfolio turnover, and net assets prior to 1993, which are based on the fund's fiscal year, and your-to-date dividend yield, which is based on dividends distributed over the past 12 months.



A. Bid Price / NAV

The Net Asset Value or share price of the fund is calculated by dividing the total net assets of the fund by the total number of shares outstanding. Value Line lists the NAV as of the calendar year-end for prior years and as of the most recent month-end prior to the issue date for the current year.

B. Dividends

The total dollar amount of income dividends per share declared by the fund for each calendar year, or for the year to date in the case of the current year.

C. 12-Month Dividend Yield

A fund's yield is the total of its income received from investments and paid to its shareholders over the trailing 12 months, expressed as a percentage of the year-end price of the security. Value Line calculates yield by dividing the total dividends paid each year by the sum of the fund's offer price (NAV plus any sales charge) plus total capital gains per share paid during that year. See section 1-C (page 11) above for a more detailed explanation of the calculation of dividend yield.

D. Capital Gains

The total dollar amount of annual capital gains per share paid to shareholders. Funds are required to distribute any gains realized from the sale of securities at least once a year. Unrealized capital gains are listed as a percentage of total net assets in the **Tax Status** section of the Value Line page (section 7). If and when capital gains are realized through sale of securities, they will be distributed to shareholders as taxable capital gains.

E. Expense Ratio

The total expenses incurred by the fund, including management fees, distribution (12b-1) fees, and administrative fees, expressed as a percentage of average net assets.

F. Expense Ratio Relative to Peer

Because expenses cut directly into a fund's yield and therefore its total

A study done by Value Line on fixed-income funds found that performance variation in these funds is sufficiently narrow that higher or lower expenses directly correlate to leading or lagging relative performance.

return, they can have a significant affect on funds that would otherwise perform identically. Especially for bond funds, whose returns vary less and are thus more affected by slight discrepancies, expenses can mean the difference between leading and lagging performance. For this reason, a fund's expense ratio is listed relative to that of its peer group as a whole. The peer average is deemed to equal 1.00. A figure greater than 1.00 signifies higher-than-average expenses, while a figure below 1.00 represents proportionately lower expenses.

G. Turnover

A fund's turnover percentage measures the rate at which its holdings are sold and replaced. Value Line shows turnover rates for each fiscal year, as well as an annualized rate, where available, for the current year.

Turnover levels are an indication of management style; low turnover (under 30%-40%) suggests a more value-oriented, buy-and-hold approach, while high turnover percentages may indicate a shorter investment horizon and a more aggressive style. High turnover also tends to more readily generate taxable gains.

H. Net Assets

The total net assets are the value of securities owned, plus receivables, less any liabilities.

I. Total Return

A fund's total return is the percentage increase in the value of a shareholder's investment, assuming all dividend and capital-gain distributions were reinvested in additional shares of the fund. Total return is shown for each calendar year, or for the year to date in the current year.

J. +/- Relevant Index

For comparative purposes, the difference between the fund's total return and that of the relevant index is shown for each calendar year, and for the year to date for the current year. The difference is expressed in percentage points, so that if the fund gained 10.2% and the index gained 8.0%, the difference would be 2.2%.

For all domestic **General Equity**, **Specialty Equity**, and **Partial Equity** funds, excluding **Technology** funds, the index used is Standard & Poor's 500 Stock Index (S&P 500), which reflects the movements of a broad-based composite of widely held industrial, transportation, financial, and utility stocks. For all **Technology** funds, the index used is the Pacific Stock Exchange Technology 100 Stock Index.

For all **Foreign Equity** funds, the index used is Morgan Stanley Capital International's Europe, Australia, Far East Index (EAFE), a broad-based index of stocks that measures the performance of the equity markets in Europe, Australia, and the Far East. This index was initially established in 1970 to provide comparative performance data; its performance record assumes reinvestment of dividends. For all **Global Equity** funds, the index used is Morgan Stanley Capital International's World Index, which includes the Americas as well as those areas included in the EAFE index.

For all **European Equity** funds, the index used is the Morgan Stanley

European Index.

For all **Pacific Equity** funds, the index used is the Morgan Stanley Pacific Index.

For all taxable fixed-income funds, excluding **International Bond** and **Corporate High-Yield** funds, the index used is the Lehman Brothers Aggregate Bond Index, a proprietary index of Lehman Brothers, Inc., that encompasses the Lehman Brothers Government/Corporate Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index.

For all **International Bond** funds, the index used is the Salomon Brothers World Bond Index, a proprietary index of Salomon Brothers that encompasses foreign government fixed-income markets.

For all **Corporate High-Yield** funds, the index used is the Lehman Brothers High Yield Bond Index.

For all **Municipal Bond** funds, the index used is the Lehman Brothers Municipal Bond Index, a proprietary index of Lehman Brothers, Inc., that includes municipal issues nationwide.

K. +/- Peer

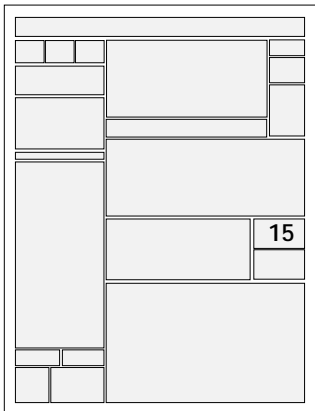
To allow for meaningful comparisons among like funds, the difference between the fund's total return and that of its investment-objective peer group (as defined in the **Peer Group** box at the top of each page, to the right of the fund name) is shown, expressed in percentage points.

L. +/- Sub-peer

For funds that also belong to a more specialized sub-peer group within an investment-objective peer group (or across a set of peer groups—see section 1. B, page 9), the difference between the fund's total return and that of its sub-peer group is shown, expressed in percentage points. A fund's sub-peer group (if any) is indicated by the two-character code that appears following a slash after the fund's investment objective as listed in the **Peer Group** box at the top of the page. Definitions for these codes are listed in both section 1. B above on pages xx-xx, and on the inside cover of the "Performance & Index" section.

M. Quintile Performance Relative to Peer

Unlike the Overall and Risk Ranks, the Performance Quintiles are derived directly from the fund's performance relative to its peers for a given year, with no other factors taken into account. The top-performing fifth of the peer group receives a ranking of 1; the next 20% receives a 2, and so forth. The Performance Quintiles are a valuable measure of a fund's performance each year relative to its peers. They can be used to quickly identify both historical and emerging trends in a fund's performance.



15. MODERN PORTFOLIO THEORY (MPT)

MPT statistics are useful in quantifying a fund's risk and reward and the correlation between its performance and the performance of the broader market as measured by the S&P 500 for equity funds, the Lehman Brothers Aggregate Bond Index for taxable bond funds, and the Lehman Brothers

Municipal Bond Index for tax-free bond funds. These statistics provide a technical profile of the fund's historical performance, and since they also indicate its relationship with the broader market, they can be used to forecast how the fund might perform under various market environments. Value Line calculates all MPT statistics using the prior 36 monthly returns.

A. Beta

Beta measures a fund's sensitivity to market fluctuations; that is, it measures how far the fund has historically moved relative to similar moves in the index, discounting the risk-free rate of return of a three-month Treasury bill. For example, if a fund has a beta of 1.00, then it can be expected to move one percent for every one-percent move in the index. If a fund has a beta of 2.00, it can be expected to move two percent for every one-percent move in the index.

B. Alpha

Alpha measures a fund's risk-adjusted performance. That is, it measures a fund's performance taking into account its beta, or sensitivity to the index, and the risk-free rate of return of a three-month Treasury bill. For example, if a fund has a beta of 1.5, it would be expected to gain 15% when the index gains 10%. If, however, the fund actually gains 20%, this excess return represents the fund's alpha. Value Line expresses alpha as an annualized figure.

C. R-Squared

R-squared measures the correlation between a fund's performance and that of the broader market as measured by an appropriate index. In other words, it measures how reliable the fund's beta is in judging its market sensitivity. For example, if a fund has an R-squared of 100, then it can be expected to perform exactly in line with its beta, based on historical performance. An R-squared of zero, on the other hand, indicates that the fund's beta measurement is irrelevant to its actual performance.

D. Standard Deviation

Standard deviation measures the variability of a fund's returns. The figure indicates the number of percentage points above or below the fund's average annual return within which any given annual return can be expected to fall two-thirds of the time. For example, if a fund has an average annual return of 10% and an annual standard deviation of 10, then two-thirds of the time the fund's annual return can be expected to fall between 0% and 20%. Value Line calculates a fund's standard deviation using monthly performance data for the trailing three years but expresses the result on a more-relevant annual basis. Standard deviation is also used in calculating the fund's Risk Rank (see section 2, page 12, above, for a detailed explanation of the Value Line ranks.)

MPT statistics are a useful measure of both a fund's sensitivity to market fluctuations and the level of correlation between the fund's performance and that of the market.

16. RANKINGS

The Rankings section of the Value Line page lists the fund's Overall and Risk Ranks as well as the average Overall and Risk ranks for its investment-objective peer group. The number to the right of the decimal represents the fund's or peer group's decile rank versus other funds with the same broad rank.

For example, a fund with an Overall rank of 3.9 is in the bottom decile of all rank-3 funds, while a fund with a rank of 3.0 is in the top tenth of all rank-3 funds. The ranks correspond to those shown at the top of the page. A more detailed explanation of Value Line's rank calculations can be found in section 2 (page 12) above.

Growth Persistence is a measure of how consistently a fund has outperformed its equity or fixed-income peers. Value Line's calculation of Growth Persistence rewards a fund only for its consistency of outperformance; the measure does not take into account the degree of outperformance. The calculation produces a raw number; this number is then ranked against those of the fund's peers in order to derive a comparative ranking that is useful in measuring a fund's historical record of relative performance. The Growth Persistence figures are also a component of Value Line's Overall Ranks.

17. PERFORMANCE

In this section, all performance figures *expressed in dollar terms* reflect any applicable front-end sales charge; all figures *expressed in percentages* do not.

A. Total Return

The fund's total return over various periods are shown in this column. Results for periods longer than one year are expressed as average annualized returns. Total return measures the percentage change of a fund's NAV assuming reinvestment of all dividends and capital gains.

B. +/- Relevant Index

For comparative purposes, the difference between the fund's total return and that of the relevant index is shown, expressed in percentage points, for each historical time period.

C. +/- Peer

To allow for meaningful comparisons among like funds, the difference between the fund's total return and that of its investment-objective peer group is shown, expressed in percentage points, for each historical time period.

D. Percentile Rank Peer

The fund's performance for each time period is ranked versus its peer group and expressed as a percentile. For example, a fund with a percentile rank of 1 for a given time period performed in the top one percent of its peer group for that time period. Conversely, a fund with a percentile rank of 100 for a given time period performed in the bottom one percent of its peer group for that time period.

E. Value \$10,000 Investment

The current value of \$10,000 invested in the fund at the current applicable sales charge at the beginning of the stated time period. These figures assume reinvestment of dividends and capital gains.

F. Estimated Taxes on \$10,000 Investment

The tax liability a shareholder would have incurred on capital gains and

		17	

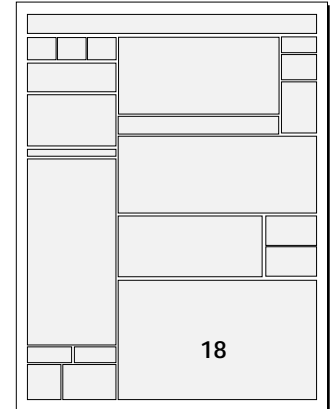
dividends distributed during the given period of investment, based on an assumed tax rate of 20%. For municipal bond funds, this figure illustrates tax liability for capital gains payments only. Note that additional taxes might be due when fund shares are redeemed.

G. Value \$10,000 + \$100 per Month

The results of a \$10,000 initial investment with subsequent investments of \$100 at the end of each month during the entire period. This provides a relevant illustration of dollar-cost averaging; since volatile funds sometimes see their performance amplified under such a program, these results should be considered carefully by investors contemplating such a program. See Part II for a more detailed explanation of this strategy.

18. ANALYST COMMENTARY

A concise, 50-line report on the fund's performance, management approach, current strategies, and future prospects, based on research by Value Line's team of mutual fund analysts.



PART II

Investing in Mutual Funds

HOW FUNDS WORK

Popular in England more than 100 years ago, the first mutual funds began operating in the United States in the 1920s. A fund essentially represents a pool of investors who combine their money and collectively hire professional management to make investment decisions. Legally, it is a corporation, or trust, whose sole purpose is the investment of its shareholders' assets. Investments are spread over a variety of securities (equity, fixed-income, or a combination of the two) and are managed in pursuit of specific, predetermined investment objectives. Unlike a stock, which has a fixed number of shares, most mutual funds stand ready to issue and redeem shares continuously. This feature gives the fund "open end" status. Thus, individuals can make investments and withdrawals easily.

Mutual funds are very tightly regulated by the U.S. government. These regulations provide more investor safeguards than for any other type of investment. As a result, the mutual fund industry has built a solid reputation that has helped to fuel its phenomenal growth—to over \$1.4 trillion in assets today.

Currently, there are approximately 8,500 mutual funds that are publicly offered in the United States. Bond and money market funds currently account for about 50% of total mutual fund assets, with equity-oriented funds comprising the other 50%.

SPECIAL SERVICES

Most mutual funds offer a wide variety of shareholder services that facilitate purchasing and redeeming shares and tracking investments. Several of these services are predicated on linking the investor's bank account with a fund account. **Automatic Investing** is one such service; it enables an investor to make single or periodic purchases of fund shares using preauthorized bank drafts drawn against his or her personal checking or savings account. Another such service is **Telephone Redemption**, through which an investor can liquidate shares by phone and have the proceeds mailed in the form of a check or deposited automatically in his or her bank account.

A third popular service is **Automatic Dividend Reinvestment**. Under this program, investors purchase additional shares whenever income and capital gains distributions are paid by the fund. With such reinvestment the initial mutual fund investment compounds over time.

Retirement Plans, including IRAs, Keoghs, and 401(k)s, are offered by most major mutual fund companies as another popular service. As a redemption or retirement program, an investor can initiate a **Systematic Withdrawal Plan** to redeem a number of shares or withdraw a specified sum of money each month or quarter to provide steady income.

FACTORS INFLUENCING FUND PERFORMANCE

Understanding the forces that drive the performance of mutual funds is a prerequisite to investing wisely in them. For equity funds, the performance of the stock market is paramount. The price of stocks, of course, is influenced as much by investors' perceptions as by such quantifiable factors as earnings and dividend growth or the vagaries of the economy.

Within subsets of the equity universe, factors influencing performance vary widely. For specialty or so-called sector funds, the performance and economic fundamentals underlying the particular sector(s) in which the fund invests are critical. For international funds, currency exchange rates can have a profound effect on a portfolio's performance: A rising dollar will depress the value of a fund's foreign investments in U.S.-dollar terms, while a falling dollar can result in a windfall to an international fund investor. Some international funds employ hedging strategies to reduce currency risk.

Different risks are involved with investment in different asset classes, and should be considered before making an investment decision.

Bond-fund investors must be aware of two major factors that drive the performance of bonds: interest rates and credit quality. As interest rates rise, bond prices fall, and vice versa. The share prices of bond funds holding longer-maturity issues tend to rise and fall more sharply as interest rates change, while those with shorter maturities tend to be less volatile. Similarly, bond funds holding issues of higher credit quality tend to be less sensitive to changes in the economy than those holding lower-quality bonds.

The purpose of financial planning is to build and preserve wealth. Investing is only one part of an overall financial plan. Other aspects include insurance coverage, tax planning, retirement planning, and estate planning. Investing encompasses all means by which one accumulates assets, and in investment planning one must consider all asset categories: a home or other real estate, tangibles such as collectibles or gold and jewelry, the cash value of any insurance policies, social security benefits and the value of other retirement plans, savings accounts, and traditional financial investments such as stocks, bonds, and mutual funds. Factors that will affect an investment program include one's family situation, age, tax status, income requirements, and specific financial goals.

DEVELOPING A FINANCIAL PLAN

In the sections that follow, we will provide a framework for individuals to begin building an overall financial strategy and investment plan, focusing on mutual funds that are appropriate for implementing such a plan.

Identifying Goals

Before an investor can consider long-term financial goals, it is essential that he or she establish minimal protection against financial emergency. Most financial planners recommend keeping an adequate cash reserve in highly safe, liquid investments, such as a savings account or money market fund. (Although most investments can be converted to cash, doing so on short notice could result in losses.) The amount of money to set aside varies according to individual circumstances; a rule of thumb is six months' living expenses.

Once adequate reserves are established, an investor needs to consider and plan for specific goals. For a young couple these may include marriage, children, or purchasing a home. Couples with children may wish to prepare for college expenses. Older couples or individuals will want to prepare for retirement. In realizing any of these goals, mutual fund accumulation plans are especially helpful, since they encourage regular, disciplined saving. Though individuals' situations and life experiences vary, most investors' lifetimes can be divided into four broad phases: early years, family years, pre-retirement, and retirement. Below we provide general descriptions of each stage. We recommend

that each investor consider how his or her situation relates to these and begin to formulate financial goals in as broad a context as possible.

The **early years** encompass the period from when an individual starts his or her first job until marriage and family responsibilities and expenses begin to dominate. Many young people fail to recognize the importance of saving during this period because there are so many short-term pleasures to be pursued and desires to be satisfied. Reasonable goals during this period might include saving to purchase a car or home or to start a family. Young people often incur low living expenses and, in the case of many couples, benefit from two incomes. Most have no major responsibilities. These circumstances are ideal for beginning a serious, long-term investment program. Perhaps most important is the very long time horizon of young investors, so that even small, regular investments have an excellent opportunity to grow significantly. Young individuals and couples also can afford to assume above-average risk, since they have ample time to recoup any temporary losses.

During the years in which one's **family** is growing, other financial concerns often take precedence over regular saving and investing. Supporting a comfortable lifestyle for a spouse and children, protecting the family should an income earner die or become disabled, and preparing for the children's college costs are important during this period. Because time still is on the side of the investor during these high-expense years, it is important to continue to save and invest regularly, even in small amounts. Building retirement assets through an IRA or pension plan is also very important at this time. As long as adequate cash reserves are maintained, investors can afford to take above-average risks during these years—particularly with retirement-plan assets—in pursuit of long-term growth.

The **pre-retirement** period is critically important for consolidating retirement goals. For many “empty nesters” the mortgage is paid, and family income is at a peak. Now is a good time to accumulate additional financial resources for retirement. As retirement nears, however, there is less time to make up for investment losses. Accordingly, individuals in this phase need to gradually reduce their risk exposure.

To a large degree, foresight and diligence during the first three phases of one's investment “life” lead to financial independence in **retirement**—the final phase. During retirement, the overriding concern is income, since the payouts from a pension plan and social security are substantially less, in most instances, than the income earned from employment. Conservative, income-producing investments are highly appropriate at this stage since losses can directly impact one's standard of living, and there is little time to recoup any losses. For those who are wealthy beyond what they require to maintain a comfortable standard of living, estate planning is an important consideration. Trusts can protect the value of an estate from taxes while preserving the individual's control over investment decisions.

The Value Line Mutual Fund Survey can be a vital tool in developing and maintaining a portfolio of mutual funds. Once investors have determined their financial goals, it is time to focus on identifying the kinds of funds that will help to realize those goals. This selection process begins by evaluating risk and by understanding how to control it.

At each stage in a person's life, he or she will have varying investment needs, and an investment portfolio should evolve over time to meet these changing needs.

Evaluating Risk

Value Line recognizes that the evaluation of any investment begins with an assessment of risk. Investors must consider their tolerance for risk and weigh it against the desire to achieve a specific financial goal. Identifying risk, which can be defined as the uncertainty of achieving a desired return, is difficult. An investor seeking a higher return must be willing to tolerate a higher level of risk in order to have a chance of achieving that desired return. By contrast, someone willing to accept a lower rate of return has a higher probability of achieving his or her objective. A key aspect to evaluating risk is the investor's time horizon. Investors with long horizons can afford to assume a higher level of risk, since there is a greater chance that, over time, the investment will pay off. Investors with shorter horizons should choose lower-risk investments, since they may not be able to wait out a period of weak investment performance.

There are two types of risk: market risk and unique risk. **Market risk** is the degree to which a security's behavior is related to the overall behavior of the market. If a stock fund behaves in a fashion similar to the overall stock market, it is said to have a high degree of market risk. If the market declines, there is a strong likelihood that the fund's value will decline as well. **Unique risk** pertains only to a particular security. It is independent of changes in the stock market. For a bond, credit risk is unique risk, since a bond's credit rating is solely a function of the issuer's financial condition. In assessing the level of risk that is acceptable, investors must consider their investment portfolio in its entirety and understand that the risk of certain types of investments can be reduced, even significantly, through diversification.

Diversification enables an investor to lower overall risk by offsetting the potential risks associated with each specific asset class.

Controlling Risk Through Optimization

Asset allocation, at its simplest, means diversification of financial investments among stocks, bonds, and cash. At a more sophisticated level, asset allocation involves trying to squeeze the greatest potential return out of a given level of risk. Given a choice between assets, an investor stands to realize the greatest return by choosing, to the exclusion of all others, the asset expected to perform best. Diversification automatically dilutes the potential return. But because some assets typically rise when others fall, it is possible to diversify among asset classes in such a way as to lower the potential risk by a greater amount than one has lowered the potential return. This concept of portfolio optimization captures the essence of what all investors are trying to accomplish: getting the highest potential return within the limits of acceptable risk.

Determining the Portfolio Mix

Differences of opinion abound concerning how to determine the percentage of assets that should be invested in stocks, bonds, and cash, respectively. Perhaps the simplest rule of thumb is this: The percentage of assets in bonds and cash combined should equal the investor's age. The remainder should be in common stocks. This oversimplification is intended only to illustrate the conventional wisdom: A young investor seeks growth, primarily through stocks, while an older investor requires stability and the income generated by a larger percentage of assets in bonds and cash. Clearly, individual preferences and circumstances must be the determining factors in making asset allocation decisions.

Investors seeking guidance in building a diversified portfolio will find a helpful form in *Part III* of this Subscriber's Guide. The "Investor Profile Questionnaire" poses a series of questions intended to identify the investor's appropriate level of risk, based on his or her individual circumstances. Completing the worksheet results in assignment to one of nine investor profiles. Each profile includes sample recommendations for the percentage of assets in one's portfolio that should be invested in each of 10 asset classes (an asset class is a group of securities with similar performance and risk characteristics, such as small-capitalization growth stocks). These asset classes encompass various types of domestic and international stocks and bonds, and also correspond to specific peer and sub-peer groups defined in Part 1, section 1. B on page 7. In addition, each quarter the "Mutual Fund Advisor" provides updated sample recommended portfolios for each of the nine investor profiles.

By varying exposure to different asset classes, investors can create and modify their portfolios to obtain the exact risk/reward profile that meets their financial goals. However, readers should note that the investor profiles contain only sample recommendations, and these should be modified to account for each investor's particular circumstances and preferences.

Choosing Individual Funds

For some people, selecting individual funds is the most difficult aspect of mutual fund investing. But for those who approach investing in a diligent and thorough manner—first evaluating their circumstances and goals, then assessing risk tolerance, and finally determining desirable portfolio allocations—the final step of selecting funds is far less difficult. The reason is simple: Investors too impatient to make an adequate assessment of their overall financial position will unwittingly try to make up for this deficiency in their fund selections. If they can simply find the "perfect" fund, then they assume that other considerations won't matter. The problem, of course, is that the definition of a perfect fund is subjective; it depends on the goals and profile of each individual. Therefore, investors who have a clear picture of their goals will always find it far easier to identify appropriate funds.

We recommend that once investors have identified appropriate fund categories, they begin by using the Value Line Mutual Fund Ranking System to narrow the field. Since investment always begins with risk, investors should first look at funds whose Risk Ranks meet their criteria, then focus on those with the highest Overall Rank. At that point more detailed research is required to make the final selections. We suggest taking into consideration a combination of factors, including a fund's long-term track record, consistency of management, and the reputation and the organization of the fund family. Although different traits are desirable in different situations, most investors will do well to emphasize consistency of returns as the framework of highly ranked funds.

Dollar-Cost Averaging

Once funds have been selected, a disciplined, regular investment program is an ideal way to build wealth. Dollar-cost averaging, one of the most widely used systematic investment programs, involves investing a fixed sum of

The Value Line Mutual Fund Ranking System provides investors with a useful starting point in the process of selecting a mutual fund investment.

money at regular intervals, regardless of how the market is performing. With dollar-cost averaging an investor will purchase more shares at lower prices and fewer shares at higher prices. The result is a lower average cost per share. The following example illustrates how dollar-cost averaging works.

Dollar-cost averaging enables an investor to increase potential returns from more volatile investments.

Assumption: John Q. Investor has \$10,000 to invest. He chooses the aggressive Go-Go Growth Fund. He is concerned, however, that if the market is near a top he could suffer substantial near-term losses, so he decides that instead of investing a lump sum, he will invest \$2,000 each quarter over the next five quarters. His results are shown below.

	Go-Go Fund Share Price	Amount Invested	Shares Purchased	Total Value
Quarter 1	\$ 10	\$ 2,000	200	\$ 2,000
Quarter 2	\$ 11	\$ 2,000	181.8	\$ 4,200
Quarter 3	\$ 7	\$ 2,000	285.7	\$ 4,673
Quarter 4	\$ 8	\$ 2,000	250	\$ 7,340
Quarter 5	\$ 11	\$ 2,000	181.8	\$12,092

Average Go-Go Fund Share Price **\$9.40**

Average Share Price Paid by Investor **\$9.096**

Go-Go Fund Total Return **+10.0%**

Total Return for Investor **+20.9%**

As shown in the above example, market declines can actually benefit the investor who dollar-cost averages. However, considerable fortitude is required to maintain this strategy in the face of market declines.

Load Fees and Expenses

Mutual fund shares are sold in two ways: directly or through a sales force. Those sold directly usually carry no sales charge and are known as “no-load” funds. Those sold through a sales force usually charge a commission or load. Load funds can be further subdivided into two groups: those charging a front-end load and those charging a back-end load.

A “front-end” load results in a deduction from the initial investment. By law, no fund may charge a front-end load of more than 8.5%. Such loads average 5% for stock funds and about 4% for bond funds. A back-end load (also known as a contingent deferred sales charge) applies if shares are redeemed within a certain period of time, usually five years. Such charges decline over time. For example, a back-end load may start at 5% during the first year and decline by one percentage point each year, so that the charge is eliminated after five years. Back-end loads often are accompanied by 12b-1 fees.

Named for the SEC Rule that authorizes them, 12b-1 fees are charged yearly, ostensibly to help promote the fund, thereby increasing its assets and lower-

ing expenses. In reality, the fee has become part of the overall sales-charge structure of many load funds.

Mutual fund sales charges are regulated and cannot exceed specified amounts. These rules vary depending on certain fund circumstances, but in no case (as indicated above) may a front-end load exceed 8.5%. The ceiling on 12b-1 fees is 0.75%, with an additional 0.25% service fee permitted for funds offering certain shareholder services. Excluding funds that charge only a front-end load, mutual fund sales charges may not exceed 7.25% over the life of an investment.

Funds Offering Multiple Share Classes

In order to accommodate the greatest number of potential investors, many funds offer separate classes of shares, each carrying different load structures. The most common convention is to classify shares offered with a front-end load as “Class A shares,” and shares with a back-end load as “Class B shares.”

In some cases, shares purchased with a back-end load “convert” to the share class corresponding to purchases made with a front-end load after a certain period of time (generally six to eight years after purchase). The benefit of this “conversion” feature is that once the back-end shares convert, the 12b-1 fee is reduced or even eliminated.

A fund’s performance figures and NAVs will be different for different share classes. *The Value Line Mutual Fund Survey* generally provides data for the oldest share class; or, if the share classes began at the same time, the class with the greater net assets is shown.

Fund Supermarkets

One new development in the mutual industry over the past few years has been the creation of “fund supermarkets.” Created and run usually by discount brokerages—sometimes those which are affiliates or subsidiaries of mutual fund companies—fund supermarkets simultaneously offer for purchase a large number of funds, numbering from the hundreds to the thousands, from a variety of fund companies. They also include the benefit of consolidated statements and record-keeping, which can be difficult if one owns many funds from different fund families, and hence receives paperwork from multiple fund companies.

Investors should be careful when buying funds through a fund supermarket. Such supermarkets are part of brokerage houses, and brokers often charge their own transaction fees to process orders to purchase mutual fund shares; hence, buying a load fund through a fund supermarket, for which a broker charges a transaction fee, can be particularly expensive. However, many fund supermarkets offer funds for which they do not charge transaction fees—known as “NTF” funds—which are often no-load funds as well. Yet even for no transaction fee, no-load funds, fund supermarkets are still compensated for their services. For these funds, investors should be wary of excessive 12b-1 fees or other ongoing expenses, from which fund companies often compensate fund supermarkets for offering NTF funds. In addition, the broker may also charge an annual fee for maintaining a customer’s account.

If a load fund offers more than one share class, which one should an investor choose? The answer depends on a number of factors, including the specific sales, redemption, and 12b-1 charges, the redemption fee schedule for the back-end load shares, and whether (and, if so, when) back-end shares convert to front-end shares. Although it may be tempting to believe that the back-end load arrangement is always preferable (since there will be no sales charge if the shares are held to the conversion date), in reality the back-end shares are often more expensive in the long run, since the ongoing 12b-1 fees are so much higher.

By law, a fund's prospectus must provide a hypothetical example of the expenses incurred for each share class over a period of time. By comparing the relative expenses and fees and taking into consideration how long the investor plans to hold the shares, he or she can determine the appropriate share class to purchase.

Load Versus No-Load: Performance and Services

The question of differences in performance of load and no-load funds has been studied and argued over decades. Most analyses have shown little or no difference in performance, while some recent studies have indicated a slight advantage for load funds. It is argued that this advantage is a result of better research and management at load groups. More likely, however, it is because load fund families tend to have larger individual funds because of extensive sales efforts and, therefore, lower average expenses. The argument is of little consequence, in any event, since any advantage enjoyed by load funds is usually eliminated once sales charges are deducted.

The important question is not whether load funds outperform no-load funds but rather what a sales load buys an investor. The answer in most cases is that a load pays for advice from a financial planner or broker on such matters as which funds to own, when to buy, when to sell, and how to plan for taxes. An investor should evaluate his or her need for such services before deciding whether to invest in load or no-load funds.

Impact of Expenses

Mutual fund expenses are measured as a ratio of operating expenses to average net assets. Such expenses include a fund's administrative and management costs but exclude portfolio transaction costs. Annual expenses typically range between 1.0% and 1.5% for stock funds and from 0.5% to 1.0% percent for bond funds. However, these expenses can range from zero (with management absorbing them) to 5% or more for very small funds.

Expenses always impact a fund's performance, since they are deducted from share values. For equity funds, the impact is generally less significant, since investment decisions are usually the major determinant of performance, and there is sufficient opportunity for profitable investment decisions to dwarf the effect of expenses. But for bond funds, whose returns fall within a narrower range, expenses can make a substantial difference. Bond fund expenses are of particular concern to investors seeking income, since the expenses are taken first from income and thereby reduce a fund's yield.

Expenses are of particular importance to fixed-income investors, since they directly affect a fund's relative performance over time.

WHEN TO SELL A FUND

The most important factor in the decision to sell a fund is whether it continues to meet the individual investor's needs.

Several factors make selling a fund appropriate. A change in management may be a reason to sell. In situations where management has changed it is important, however, to assess the likelihood that the fund will continue in the same manner as in the past. Such an evaluation begins with determining whether the fund was managed by a group or by an individual, how much autonomy management is given, and the degree to which investment decisions are prescribed by the fund's prospectus or other internal charters, systems, or methods. In some respects fund management systems can be compared to those adopted in preparing meals at restaurants. At one eatery, a star chef cooks up specialties each night according to his or her whims, while at another, series of recipes are rigorously followed night after night. Clearly, at the former a change in chefs is a major event (whether good or bad), while at the latter it doesn't matter much who is cooking from night to night—as long as the chef follows the recipes carefully.

If a fund's performance deteriorates over several quarters, investors should consider selling in favor of another fund that shows better results. If this appears to be the case, it is of critical importance to make a fair and accurate assessment of what constitutes poor performance. Investors who buy a fund because of the way it claims to invest should first consider whether or not the fund is doing what it said it was going to do. If the fund is following its charter, the investor must approach the sell decision from a different angle, questioning instead the viability of the investment concept itself.

It is not always poor performance that should prompt an astute investor to sell a fund. Investors who purchase a fund for a specific purpose should always sell when the fund is no longer satisfying that aim. To illustrate, consider funds that specialize in small-capitalization equities. Virtually all small-cap funds were laggards during the mid-1980s. A less sophisticated investor in a weak small-company fund might have sold in favor of a better performer. By contrast, a more sophisticated investor might have taken exactly the opposite tack, selling a stronger performing small-company fund, knowing that its strength resulted from its failure to maintain its small-cap style.

Investors should always sell a fund when their own goals have changed. This is easy to overlook, especially if a fund is performing well.

FOUR COMMON MISTAKES

1. **Buying last year's top performer.** At any given time there are funds that have posted phenomenal results. Unfortunately for the legions of investors who chase them, the same aggressive or specialty techniques that rocketed the fund to the top one year can lead to dizzying declines the next. As was the case for the slow-but-steady tortoise that beat the hare, a fund that performs consistently and lands in the top half of its group year in and year out will undoubtedly rise to the top 10% of all funds over a decade or longer. Again, the investor should purchase funds solely on the basis of how they contribute to his or her long-term financial goals.
2. **Acting on hunches.** Unless you have an uncanny knack for calling market trends, you are better off developing a consistent, disciplined approach and sticking to it. The most enduring trait of a successful money manager is discipline and consistency.

3. ***Selling too soon.*** Many investors fail to understand the style with which their fund is managed. When that style goes out of favor for several years, performance will suffer, but it will also rebound when the style returns to favor. Many investors wind up selling a fund right before its performance improves, in favor of a fund whose relative performance is about to turn weak. One should sell, of course, if the fund is doing badly because it is not sticking to any discernible style.
4. ***Owning too many stock funds.*** A diversified portfolio of stock funds is a good idea. But investors who own dozens of stock funds run the risk of overdiversifying. Investors who want a portfolio that behaves like the market should save themselves a lot of trouble and buy a low-cost index fund.

PART III

Investor Profile Questionnaire

VALUE LINE
MUTUAL FUND SURVEY
INVESTOR PROFILE
QUESTIONNAIRE

For many investors, determining risk tolerance levels and investment time frames is the most difficult component of the asset allocation process.

The following worksheet is designed to assist you in identifying your investment profile.

For the results of this survey to be meaningful, you must respond to every question.

For each of the following groups of three statements, check the box next to the number of the statement that most closely reflects your financial situation and/or investment philosophy:

(Questions A through C refer to your investment philosophy.)

- A. 1) "One can't be too careful."
 2) "When in doubt, err on the side of caution."
 3) "Nothing ventured, nothing gained."
- B. 1) "Put safety first. Stick with risk-free investments."
 2) "Don't put all your eggs in just a few baskets. Diversification is very important."
 3) "Go with your strong suit. Emphasize your strengths. Put most of your money into your best investment ideas."
- C. 1) "Live for today. The future will take care of itself."
 2) "I need to begin thinking about the future."
 3) "If you save for a rainy day, you'll never get wet. Plan for the seemingly distant future today."

(Questions D through J refer to your own investments.)

- D. 1) Receiving income on a regular basis is more important than growth of principal.
 2) Both income and growth are equally important.
 3) Growth is more important than current income.
- E. 1) I usually stick to the most conservative investments.
 2) Most of my investments are conservative, but I like to have a few aggressive investments in order to achieve some growth.
 3) Most of my money is invested for long-term growth.

- F. 1) Preserving at least 90% of the value of my investments at all times is more important than growth potential.
- 2) Capital preservation is important, but growth is equally important.
- 3) I believe in growth investing. I will risk 30% or more of my current capital in prudent investments in order to achieve good growth.
- G. Someone whose opinion you respect told you the time was right to risk the loss of more of your principal in order to have the potential to realize substantially higher returns. You would:
- 1) refuse to take any more risk.
- 2) increase your risk a little bit.
- 3) increase your risk by a substantial amount.
- H. If you won a contest and had a choice of receiving three alternative prizes (assume that there were no tax consequences):
- 1) I would receive \$5,000 in a lump sum today.
- 2) I would receive \$2,000 per year for the next five years.
- 3) I would receive \$25,000 in a lump sum 10 years from now.
- I. If a catastrophe were to demand \$20,000 from you unexpectedly:
- 1) I would have to liquidate virtually all of my investments.
- 2) I would have to liquidate at least 25% of my investments.
- 3) I could handle it without significantly disrupting my investment program.
- J. You can make an investment in a new type of zero coupon bond that will pay 20 times your initial investment in 10 years **if the issuing company survives**. The minimum investment is \$10,000. You have determined that the company has a 70% chance of surviving that long. That gives you a 30% chance of losing your entire investment. You would:
- 1) not invest in this risky proposition.
- 2) invest \$10,000.
- 3) invest \$20,000 or more.

(Questions K through O refer to your current personal situation.)

- K.** 1) I have no dependent children now, and my future plans call for having no new dependent children in my lifetime.
- 2) I have at least one dependent child between 13 and 23 years of age, but I have no children younger than 13, nor do I expect to add to my family in the future.
- 3) I either have at least one child who is less than 13 years old, or I expect to be starting a family sometime in the future.
- L.** 1) I have no plans to buy a new house, or small business for the rest of my life.
- 2) I currently own my own home, but plan to buy either a larger home, a second home, or a small business within the next 10 years.
- 3) I am not currently a homeowner, but I do plan to own a home, or small business sometime at least 10 years into the future.
- M.** 1) The principal earner in my family is retired, or very close to his or her probable retirement age.
- 2) The principal earner in my family has between five and 15 years left to his or her reach retirement age.
- 3) The principal earner in my family has more than 15 years left until retirement.
- N.** 1) Leaving a substantial inheritance is not important to me.
- 2) Leaving a substantial inheritance is important, but not at the expense of my current life style.
- 3) Leaving a substantial inheritance is very important to me.
- O.** 1) I am not interested in providing for my funeral expenses.
- 2) Other things being equal, it would be nice to provide for my funeral expenses before I die.
- 3) It is extremely important to provide for all expenses relating to my funeral.

To calculate your investment profile, follow these simple steps:

1. Using the table that follows, add the numeric values (1, 2, or 3) of your answers to Questions A, B, E, F, G, I, J, and M. To this total, add the values of your responses to E, F, I, and M.

QUESTION RESPONSE (1, 2 or 3):

A.	_____
B.	_____
E.	_____
E.	_____
F.	_____
F.	_____
G.	_____
I.	_____
I.	_____
J.	_____
M.	_____
M.	_____
TOTAL	_____

2. If your total score is:
 - a) between 12 and 17, your risk posture is conservative.
 - b) between 18 and 24, your risk posture is moderate.
 - c) above 25, your risk posture is aggressive.

3. Now, add the numeric values (1, 2, or 3) of your answers to questions C, D, E, F, H, K, L, N, and O. To that total, add the values of your responses to D, H, K, and L. Finally, add 2 more points if your answer to J was 2 or 3.

QUESTION RESPONSE (1, 2 or 3):

C.	_____
D.	_____
D.	_____
E.	_____
F.	_____
H.	_____
H.	_____
J.	_____
K.	_____
K.	_____
L.	_____
L.	_____
N.	_____
O.	_____
TOTAL	_____

If your total score is:

- a) between 13 and 20, your time-horizon is short.
 - b) between 21 and 30, your time horizon is medium.
 - c) above 31, time horizon is long.
5. Together, your risk posture and your time-horizon combine to define your investor profile. Consult the grid below to identify the model portfolio suited for your profile.

Investor Profile Grid with Recommended Asset Allocations

Risk	Time Horizon:		
	SHORT	MEDIUM	LONG
CONSERVATIVE	1	2	3
MODERATE	4	5	6
AGGRESSIVE	7	8	9

The above grid provides a sound starting point for investors in assessing what type of portfolio suits their goals and circumstances. Sample portfolio allocations are provided for each profile (except Profile 1) each quarter in the “Mutual Fund Advisor” newsletter. Descriptions of the type of investors likely to fit each of the nine profiles are provided on the following page. These sample portfolio allocations show the percentages in each of 10 broad asset classes that, when used to construct a portfolio, generate risk and reward characteristics appropriate to those who fall into a particular investor profile.

General descriptions for the profiles represented by each box of the grid are presented below. These profiles provide a basic framework for mutual fund investment decision-making.

1. Investors represented by Box 1 have a conservative risk posture and short time horizon. Typically, such individuals consider themselves to be part of the middle-income group; they are near retirement or already retired; and their current income is limited relative to the expenses and liabilities they anticipate incurring. With little margin for error, they should keep all of their investments in money-market equivalents.
2. These investors have a conservative risk posture and medium time horizon. Typically, they consider themselves to be middle-income; they are between five and 20 years from retirement; and they probably are at or close to their peak earning power. Box 2 investors cannot afford to take many risks, but they recognize that some investment risk is necessary to provide for the family's future needs.
3. A conservative risk posture and long time horizon characterize more U.S. investors than any other profile. These individuals typically are middle-income and less than 50 years old, and they believe that they are at least five to 10 years away from their peak earning power. Their aversion to risk and their current financial limitations lead them to err on the side of caution with their investments. At the same time, they realize that they must accept some risk if they are to achieve long-term growth of capital.
4. Investors who fit into Box 4 have a moderate risk posture and short time horizon. Typically, such investors are near retirement or already retired, and they have planned well enough for their financial future to be assured of meeting their projected expenses and liabilities. These investors need to provide just sufficient principal growth to assure a steady stream of income for their retirement years.
5. With a moderate risk posture and medium time horizon, these investors are typically between five and 20 years from retirement. They are nearing their peak earning power, and they have enough of a nest egg to sleep fairly well at night. Through profitable experience, Box 5 investors understand that assuming a reasonable amount of investment risk is desirable to achieve the family's shared goals.
6. The moderate risk posture and long time horizon of these investors are highly desirable for wealth accumulation. Box 6 investors are doing reasonably well financially at present and expect to be doing as well or better for the next 10 to 20 years. Since current needs are not overwhelming, and long-term growth is the number-one priority, stocks are generally the most appropriate investment vehicle for these investors.
7. This box characterizes fewer investors than any other in the grid. An aggressive risk posture and short time horizon typify older Americans who have planned their future well. These individuals have more money now than they expect their family to need. Since long-term growth is no longer an issue, those with this profile should invest in enough stocks, bonds, and cash equivalents to ensure continuity of income for the rest of their lives.

8. With an aggressive risk posture and a medium time horizon, these investors are typically between 40 and 60 years of age. They have earned the security not to be too concerned about their next paycheck, but they nevertheless seek to provide enough growth of capital to take care of all future needs that may arise.
9. An aggressive risk posture and a long time horizon are a most desirable combination. Box 9 investors have successfully taken risks and have reached their current financial situation at a reasonably youthful age. In view of the fact that long-term growth is their sole priority, stocks are overwhelmingly their vehicle of choice.

Investors in Boxes 2 through 9 will find their model portfolio allocations updated each quarter in the “Mutual Fund Advisor” newsletter. Please note that these model allocations do not take tax considerations or specific income needs into account. They are intended as a general guide, to assist subscribers to *The Value Line Mutual Fund Survey* in their decision-making.

PART IV

Glossary

A

Accumulation Plan—An arrangement through which investors make regular purchases of mutual fund shares, often with automatic reinvestment of dividends and distributions provided.

Adviser—See definition for "*Investment Adviser*".

Affiliated Company—Under the Investment Company Act, a company in which there is direct or indirect ownership of 5 percent or more of the outstanding voting stock.

Alpha—A measure of risk-adjusted performance. Alpha is calculated over a three-year period and represents the difference between the actual return and the return that would be expected based on the fund's risk level (beta) and the performance of the broader market (S&P 500). For example, if a fund had a beta of 1.5, then it would be expected to gain 15% if the S&P 500 gained 10%. If the fund gained 20%, its alpha would be +5, indicating that its performance was five percentage points higher than expected. If in the same example the fund gained 10%, its alpha would be -5, indicating that given its level of risk it earned five percentage points less than expected. (The actual calculation, for the statistically inclined, uses least squares regression and adjusts for the risk-free rate of return, and is expressed as an annualized figure.) Note that alpha is less useful with respect to certain types of funds, such as international, metals, and specialty funds. The performance of these funds bears little relationship to the movement of the S&P 500. The lower the relationship between the fund and the S&P (see definition for *R-Squared*), the less meaningful is its alpha.

American Depository Receipt (ADR)—A receipt, held in a U.S. bank, for shares of a foreign corporation. ADRs entitle holders to all payments of income and capital gains. They allow American investors to purchase foreign companies' shares without having to use foreign exchanges.

Annuity—An agreement that provides for regular payments to an individual over a period of time. Annuities are financial products, usually offered by insurance companies to provide income during retirement, that combine insurance with an underlying financial asset, often a mutual fund or a group of mutual funds. Assets in such products usually grow on a tax-advantaged basis, although payments are taxable as income. However, annuities differ with respect to whether payments are made for a set period of time or for the remainder of the individual's life; whether payments are for a fixed or variable amount; and whether or not any balance in the account is paid to a beneficiary upon individual's death.

Ask Price—Price at which an asset is offered for sale.

Asset Class—A group of securities with similar performance and risk characteristics; e.g., large-capitalization stocks, emerging-market bonds, etc.

Asset Value Per Share—The market value of a fund's net resources divided by the number of shares outstanding.

B

Balanced Fund—An investment company that at all times holds bonds and/or preferred stocks, in varying ratios to its common stock holdings, in order to maintain relatively greater stability of capital and income. Such funds keep at least 25% of their assets in bonds at all times.

Bank Draft Plan—For regular share accumulation, a periodic cash investment made through a shareholder's checking account via bank drafts.

Basis Point—One one-hundredth of 1%, the smallest unit of measure used in quoting yields.

Beta—Statistical measure of a security's volatility relative to the broader market. For a stock fund, beta is measured against the S&P 500, which is deemed to equal 1.00. A beta higher than 1.00 means the fund has experienced greater sensitivity to swings in the market, while a beta of less than 1.00 means the fund has experienced less sensitivity. For example, a fund with a beta of 1.5 can be expected to rise (or fall) by 15% for each 10% gain (or loss) in the S&P 500. Note that beta is less useful as a risk measure with respect to certain types of funds, such as international, metals, and specialty funds, whose performance sometimes bears little relationship to the movement of the S&P 500. The relevance of a fund's beta is indicated by its R-Squared value (*see definition for R-Squared*).

Bid Price—In the case of shares of an open-end mutual fund, the price at which the holder may redeem shares. Usually, it is the current net asset value per share.

Blue Chip—The common stock of a large, well-known corporation with a stable record of earnings and dividend payments over a long period.

Blue Sky Laws—Laws of the various states governing the sale of securities, including mutual fund shares, and the activities of brokers and dealers within the particular states.

Bond—A security representing debt; a loan from the bondholder to the issuing entity.

Breakpoint—Dollar-value level of a purchase of mutual fund shares at which the percentage of the sales charge becomes lower. Typically, a sales-charge schedule contains five or six breakpoints.

Broker—A person who effects transactions in securities for the accounts of others and receives a commission for his or her services.

C

Call—An option contract giving the holder the right to purchase the underlying security from another person at a specific price during the term of the option. The duration may be any period of time but is rarely longer than six months and 10 days. Calls may be used either for speculative or hedging purposes.

Call Price—A term most often used in reference to preferred stocks and debt securities having a fixed claim. It is the price an issuer must pay in order to retire such securities. The call price often exceeds par or liquidating price.

Capital Gains Distribution—Distribution to investment company shareholders of net capital gains realized by an investment company on the sale of portfolio securities.

Capital Gains Tax Rates—Under the provisions of the Taxpayer Relief Act of 1997, which took effect in May and July of 1997, capital gains are taxed according to the following criteria:

Assets held 12 months or less: Taxed as ordinary income, at a maximum rate of 39.6%

Assets held more than 12 months but 18 months or less: Taxed at a maximum rate of 28%.

Assets held more than 18 months: Taxed at a maximum rate of 20%.

Assets held more than 5 years and bought after the year 2000: Taxed at a maximum rate of 18%.

Capital Growth—Increase in the market value of an asset, an objective of many investors and investment companies.

Cash Equivalents—Securities whose value is easily redeemable into cash, which includes receivables and short-term U.S. government, municipal, and corporate securities, and commercial paper.

Cash Position—Cash plus cash equivalents, less current liabilities.

Check-Writing Privilege—A service that allows a shareholder to write checks against a mutual fund account.

Closed-End Fund—An investment company with a fixed number of shares of common and sometimes preferred stock, which are traded in the securities market.

Closed Fund—A mutual fund that no longer offers shares for sale to the public, usually because management believes that it cannot effectively manage additional money. Some closed funds will continue to accept additional investments from existing shareholders.

Collateralized Mortgage Obligation—A mortgage-backed security paying a fixed portion of interest or principal at regular intervals. Pools of mortgages are divided into *tranches* based on maturity.

Common Stock—A security representing ownership in a corporation. The right of common stockholders to dividends, assets, and other distributions is secondary to that of holders of bonds, debentures, and preferred stocks. Common shares usually carry voting rights.

Common Stock Fund—A mutual fund whose portfolio consists mainly of common stocks. Such funds may, from time to time, take temporary defensive positions in bonds or cash.

Contingent Deferred Sales Charge—A fee charged on the redemption of mutual fund shares. Such fees are highest during the first year and subsequently decline. Total fees, including 12b-1 charges, may not exceed 7.25 percent over the investment's life.

Contractual Plan—A type of accumulation plan under which investors agree to follow a specific investment schedule. Those who fail to meet their obligation are subject to high fees.

Contrarian—An investor whose strategy is based on doing the opposite of what the majority of investors are doing at any particular time.

Convertible Securities—Securities that carry the right to be exchanged for a different security of the issuer (usually applies to preferred stocks or bonds that may be exchanged for common stock).

Custodian—An entity, usually a bank, that holds all securities and cash owned by a mutual fund. The custodian has no supervisory function with regard to management policies.

Cyclical Stock—The stock of a company whose performance is tied to that of the overall economy.

D

Debenture—A debt security backed by the general credit of the issuing corporation.

Defensive Stock—The stock of a company that is expected to do well in adverse market environments because of the nature of its industry.

Direct Purchase Fund—(see definition for **No-Load Fund**).

Discount—For a closed-end fund, the percentage below asset value at which the fund's stock sells. For convertible preferred stock, the percentage below conversion value at which the stock sells.

Distributions—Payments of a mutual fund's net investment income and capital gains to shareholders.

Distributor—The company that sells a mutual fund's shares to the public.

Diversification—The investment in a number of different securities in such a manner as to reduce the impact of a decline in any one security.

Diversified Investment Company—Under the Investment Company Act, a fund in which 75 percent of total assets is limited to being invested no more than five percent of total assets in any single company, and that owns no more than 10 percent of the outstanding voting shares of any issuer.

Dividend—For a mutual fund, a distribution of dividends and interest earned on the fund's underlying securities.

Dollar-Cost Averaging—A systematic investment method under which investors make regular purchases of a fixed dollar amount. This usually results in an average cost per share lower than the average price at which purchases were made.

E

Education IRA—Actually an educational savings account created by the Taxpayer Relief act of 1997, available in 1998. Individuals within certain income limitations may contribute up to \$500 per year on behalf of a child who is still under age 18. Contributions are not tax deductible, but earnings grow tax free, and withdrawals are tax free if made before age 30 and applied to educational expenses such as tuition or room and board. Other types of withdrawals, or any balance in the account upon the beneficiary reaching age 30, is subject to taxes and penalties.

Equity Security—Securities whose interest in the issuer is ownership, rather than debt. The most common equity security is common stock.

Exchange Privilege—The right to exchange shares of one fund for those of another offered by the same sponsor. For load funds such an exchange incurs no additional sales charges.

Expense Ratio—The proportion of a fund's total annual operating expenses (excluding brokerage costs) to average net assets.

F

Fair Value—Under the Investment Company Act, the value determined in good faith by a fund's directors for securities for which no market quotation is readily available.

Fixed-Income Security—A debt security or preferred stock with a fixed percentage or dollar income return.

Forward Pricing—The pricing of mutual fund shares for purchase or redemption at the price next computed after a transaction. Most funds price daily.

Front-End Load—A sales commission charged on the initial purchase of fund shares. By law a front-end load may not exceed 8.5 percent of the total investment.

Fund Supermarket—A brokerage firm offering a large number of mutual funds for purchase from a variety of individual fund families.

G

General Obligation Bond—A municipal bond issued and backed by a municipality. The debt is serviced from general revenue.

Glass-Steagall Act of 1933—Federal legislation prohibiting banks from owning brokerage firms or from engaging in investment banking activities.

Government Agency Issues—(see definition for *U.S. Government Securities*).

Growth Stock—Stock of a company whose earnings are expected to continue to grow at an above-average rate.

H

Hedging—The use of securities to offset changes in the value of other securities.

I

Incentive Compensation—A fee paid to an investment adviser that is based, wholly or in part, on performance.

Income—Gross income is the total amount of dividends and interest (excluding capital gains) received from a mutual fund's investments before deduction of any expenses. Net income is gross income less expenses, fixed charges, and taxes.

Individual Retirement Account (IRA) - A tax-qualified retirement program for individuals, established under the Employee Retirement Income Security Act of 1974. The traditional IRA allows individuals who do not participate in an employer-sponsored retirement program to contribute up to \$2,000 a year—with such contributions being tax-deductible—whose earnings are not taxed until withdrawals begin. Individuals who already participate in an employer-sponsored program may still open IRAs if they fall below specific income limits. Withdrawals taken before the individual reaches age 59 1/2 may be subject to penalties, and all withdrawals are taxed as ordinary income (see definitions for **Education IRA** and **Roth IRA**).

Inflation—A rising trend in the general price level of goods and services, resulting in a reduction in purchasing power.

Investment Advisor—A company whose principal business is to provide portfolio management, and sometimes administrative services, to mutual funds.

Investment Company—A corporation or trust whose sole business is the investment of its shareholders' money in pursuit of specific investment objectives.

Investment Company Act of 1940—A federal statute enacted by Congress in 1940 providing for the registration and regulation of investment companies, including mutual funds.

Investment Company Amendments Act of 1970—This Act amended the Investment Company Act of 1940, establishing revised standards for management fees, sales commissions, and contractual-plan sales charges.

IRA—(see definition for **Individual Retirement Account**).

J

Junior Securities—Common stocks and other securities whose claims to assets and earnings are secondary to other, senior obligations.

Junk Bond—A lower-rated, and usually higher-yielding, debt security. These issues are usually considered to be those rated BB or below by Standard & Poor's Corporation or Ba or below by Moody's Investor Services. These issues can be highly speculative and volatile.

K

Keogh Plan—A tax-qualified retirement plan for self-employed persons and their employees.

L

Letter of Intent—An agreement to buy a sufficient number of mutual fund shares, over a set period of time, to qualify for the reduced selling charge that would apply had the investment been made in a lump sum.

Leverage—The use of borrowed money to increase an investment position. A fund employing leverage will see its share-price fluctuations magnified.

Liquid—Easily redeemed or converted into cash.

Load—A commission on the price of a mutual fund's shares generally used to compensate the selling broker. See also "Front-End Load" and "Contingent Deferred Sales Charge."

M

Management Fee—The charge paid by a mutual fund for advisory services and portfolio management.

Management Style—Describes the characteristics of the underlying stocks held by a manager as they relate to market capitalization (large-cap versus small-cap) and to growth versus value.

Money Market Fund—A mutual fund whose investments are exclusively in highly liquid, short-term debt securities, designed to provide current income, liquidity, and preservation of capital. Money market funds fix their net asset value, usually at \$1.00 per share.

Mutual Fund—An investment company whose shares can be redeemed at any time at net asset value. Synonymous with open-end fund. See also "Open-End Investment Company."

N

Net Assets—Total assets at market value less liabilities.

No Transaction Fee (NTF)—(see definition for **Transaction Fee**).

No-Load Fund—A mutual fund whose shares are purchased directly from the fund at no sales charge.

Non-Diversified Investment Company—A fund whose investment portfolio is not anticipated to be sufficiently diversified to meet the requirement of the Investment Company Act for qualification as a diversified investment company. Specialized funds usually must be registered as non-diversified companies so as to allow them to own predominately shares of companies in a single industry.

O

Objective—The goal of a mutual fund or investor. Common objectives include growth of capital, growth of income, current income, preservation of capital, or some combination of these aims.

Offering Price—The price at which the buyer may purchase shares from a mutual fund, including any sales charge.

Open-End Investment Company—An investment company whose shares can be redeemed at any time at net asset value. The term "open-end" refers to the fund's open, as opposed to fixed, capital structure.

Option—A contract to buy or sell a specific security for a predetermined price during the term of the contract. (See definitions for **Call** and **Put**).

P

Par Value—The amount determined by the issuer of a security to be the capital represented by that security. A company that issues a \$20 par stock and receives \$25 per share allocates \$20 to capital and the remaining \$5 to unearned surplus.

Payroll Deduction Plan—An arrangement between an employer and a mutual fund whereby money is deducted from an employee's salary, at his election, and invested in the fund.

Performance History—The value of an investment, usually including all of its income and capital-gains distributions, over time. A security performance history is often compared to that of similar securities, such as those in the same asset class (see definitions of **Asset Class** and **Total Return**).

Portfolio—The securities owned by a mutual fund.

Portfolio Turnover—(see definition for **Turnover Ratio**).

Preferred Stock—An equity security (usually with a fixed dividend) whose claim to earnings and assets takes precedence over common stock.

Premium—For a closed-end fund, the percentage above asset value at which the fund's stock sells. For convertible preferred stock, the percentage above conversion value at which the stock sells.

Price/Book Ratio (P/B)— A ratio that compares the average market price of a fund's stocks with the fund's average book value. Companies that are older, slower-growing, and/or whose stocks are depressed in price due to poor current earnings performance, generally sell at low price/book ratios. The figure on each mutual fund page is an average of all the P/Bs in the fund.

Price/Earnings Ratio (P/E)— The price of a stock divided by its earnings per share. This figure may use either the reported earnings from the latest year (trailing P/E) or an analyst's forecast of next year's earnings (forward P/E). The P/E gives mutual fund investors an idea how much, on average, the manager of a particular fund is paying for a company's earnings power. The higher the P/E, the more the manager, and subsequently investors, are paying for that potential. Young, fast-growing companies are typically high-P/E stocks with multiples over 20, while less risky, older, and more established companies usually sell at lower P/Es.

Prospectus—The document describing the shares and policies of a mutual fund or new security issue which, under the Securities Act of 1933, must be supplied to each purchaser.

Proxy Statement—A written power of attorney that allows stockholders to vote their stock if they are not present at a stockholders meeting.

Prudent Man Rule—The law governing the investment of trust funds in states that provide the trustee with broad discretion over investment decisions.

Put—An option contract that gives the holder the right to sell a particular security to another person at a specified price during the term of the option, which may be any period of time but is rarely longer than six months and 10 days. May be used either for speculative or hedging purposes.

R

R-Squared— A measure, in percentage terms, of how closely a fund's performance correlates to the broader market, as measured by the S&P 500. It is useful in determining a fund's level of

diversification. An R-squared of 100 means that the fund is exactly as diversified as the S&P 500, and therefore that 100 percent of its performance is attributable to the market (as would be the case for an index fund). R-squared is measured over a three-year period using monthly observations.

Record Date—The date on which a shareholder must be registered on the books of a mutual fund in order to receive an income or capital-gains distribution.

Redemption in Kind—Redemption of mutual fund shares for which payment is made in securities instead of cash. This is a right retained by many funds but infrequently used.

Redemption Price—The net asset value or “bid” price of a mutual fund. This is the price that a seller of shares will receive.

Reinvestment Privilege—A service offered by mutual funds whereby income and capital-gains distributions may be used to purchase additional full and fractional shares of the fund.

Repurchase Agreement—An agreement under which the buyer acquires ownership of a debt security and the seller agrees to repurchase the obligation at a mutually agreed upon time and price, thus setting the yield that will be received during the purchaser’s holding period.

Right of Accumulation—A reduction in sales charges effected by counting the aggregate value of all of an investor’s holdings in a particular sponsor’s funds for the purpose of granting the quantity discounts afforded to larger investments.

Rollover—The transfer of assets from one investment to another, usually to avoid a tax liability.

Roth IRA - A new individual retirement account created by the Taxpayer Relief Act of 1997, and available in 1998. Unlike a traditional IRA, contributions (also limited to \$2,000 per year) are never tax-deductible. However, earnings are not taxed, and withdrawals are also tax-free if the account has been in existence for more than five years. Income limitations are also higher than with traditional IRAs. Withdrawals made prior to age 59 1/2 are restricted to specific circumstances; otherwise penalties may apply.

S

Sales Load—A commission on the price of a mutual fund’s shares generally used to compensate the selling broker. See also “Front-End Load” and “Contingent Deferred Sales Charge.”

Senior Securities—Corporate bonds, debentures, notes, or preferred stocks that have the first, or senior, claim to assets and earnings.

Short Sale—The sale of a borrowed security in the hope that the price will subsequently fall, so that the security can be repurchased later at a lower price and returned to the owner.

Special Situation—An investment opportunity where unique circumstances are believed to provide a profit opportunity.

Specialty Equity Fund—A fund that concentrates on a specific industry group.

Sponsor—Usually refers to the Principal Underwriter (*see definition for Underwriter*).

Standard Deviation— Shows the degree of variation in a fund’s returns. For example, a fund with a standard deviation of 10 can be expected to produce an annual return that is within 10 percentage points (plus or minus) of its average annual return two-thirds of the time. It is a useful measure of a fund’s risk. Value Line measures standard deviation using monthly observations, but expresses the result on an annualized basis.

Syndicate—A group of funds that come together to underwrite a new securities offering. After the new security has been sold to the market, the syndicate disbands.

T

Total Return—A statistical measure a security's performance for a specific period of time (e.g., six months, one year, 10 years, etc.). Total return is expressed as a percentage gain relative to the initial value of the investment, and includes both the price appreciation of the security—or for a fund, of the underlying securities—as well as the reinvestment of all capital-gains and dividend distributions. For periods of greater than one year, total return is often expressed on an annualized basis.

Transaction Fee—A fee charged by a broker for purchasing or selling shares of a mutual fund for a customer. Such fees are separate from and in addition to any fees and expenses charged by the mutual fund itself. Some brokers, particularly those that operate fund supermarkets (*see definition for Fund Supermarket*), maintain a list of funds for which they will not charge transaction fees, known as “NTF” funds.

Treasury Bill—Non-interest-bearing security issued at a discount by the U.S. Treasury to finance the national debt. Most bills are issued with maturities of three months, six months, or one year.

Turnover Ratio—The degree to which a fund's portfolio is turned over during the course of a year. For mutual funds, an approximation can be made by dividing the lesser of portfolio purchases or sales by average fund assets.

12b-1 Fee—Fee charged by some funds to pay for distribution costs such as marketing or commissions to brokers.

U

Underwriter - a firm, specifically an investment bank, that brings a new issue to the securities market. Underwriters buy the new security from the issuing entity, and then resell it to the market. Sometimes many firms will underwrite an issue, forming a syndicate to place a bid to sell the new security to the issuer, and then, if successful, reselling the issue to the market (*see definition for Syndicate*). In the case of a syndicate, one or a few underwriters usually take(s) a leadership role, finding other banks to join the syndicate, and purchasing more of the security than other underwriters—and hence accepting more risk if the entire issue cannot be sold.

Unrealized Appreciation or Depreciation—The paper gain or loss on a fund's investments. Once sold, these gains are realized and must be distributed to shareholders.

U.S. Government Securities—Marketable debt securities issued by the U.S. Treasury, which consist of bills, notes, and bonds, or by U.S. Government Agencies. Treasury securities are direct obligations of the U.S. Government and differ mainly in the length of their maturity. Both direct and Agency obligations are backed by the full faith and credit of the United States Government.

V

Volatility—The rate at which a security moves up or down in price.

W

Warrant—An option to buy a specified number of shares of stock at a specified price. The warrant may be valid for a set period of time or indefinitely.

Withdrawal Plan—Arrangement whereby mutual fund investors can receive automatic monthly or quarterly redemption payments of a predesignated amount.

Y

Yankee Bond—A U.S.-dollar-denominated foreign bond that is issued and registered in the U.S.

Yield—Income received from investments, expressed as a percentage of the price of the security. Value Line calculates yield by dividing the total dividends paid over the past 12 months by the sum of the fund's offer price plus any capital gains paid during the 12-month period.

Yield to Maturity—Rate of return on a debt security held to maturity, including the effect of interest payments and capital gain or loss.

Z

Zero-Coupon Bond—A debt security that is sold at a deep discount from face value and that does not pay interest. At maturity, the bond is redeemed at face value. Investors are taxed each year as if the rise in value were income.

VALUE LINE, INC.

Champion of the Informed Investor

In 1931, the Great Depression was causing a crisis of confidence among investors. In New York, a young analyst named Arnold Bernhard quietly set about developing a system that would help restore the confidence of individuals in the stock market. His dream was to provide the average investor with access to the same information that professionals had at their fingertips, at a price affordable to the investing public. Arnold Bernhard's vision grew into one of the most enduring and trusted institutions in the financial world: Value Line. *The Value Line Investment Survey* is today perhaps the largest stock market information service in the world.

Now, individuals are participating in both the stock and bond markets in record numbers through investments in mutual funds. Today's uncertain interest-rate environment, changing banking industry, corporate restructurings, increasingly global economy, and concerns about the security of retirement income (including Social Security) have again prompted many individuals to question the viability of their long-term investment strategies. Today's investor wants to know:

- How vulnerable are common stocks and mutual funds to another major market downturn?
- Does the individual have a chance to succeed in a market so heavily influenced by institutional trading?
- Will bond funds provide adequate income over the long term?

Value Line recognizes the need for accessible, reliable data to help investors make sound decisions among a vast array of choices—this time in mutual funds. Backed by the strength of Value Line's experienced research staff and its strong tradition of service to the individual investor, Value Line introduced in 1993 *The Value Line Mutual Fund Survey* to provide high-quality, comprehensive, accurate analyses of mutual funds at an affordable price.

Value Line employs one of the world's largest independent research staffs and publishes one of the world's most widely used investment publications—*The Value Line Investment Survey*. The company's businesses are broad-based, including financial periodicals and electronic data services, a family of no-load mutual funds, and asset management for retirement and endowment accounts. Following is a review of Value Line's services:

SERVING THE INVESTOR'S
CHANGING NEEDS

FINANCIAL
INFORMATION
AND INVESTMENT
MANAGEMENT

The Value Line Investment Survey is the company's flagship publication. Published weekly, it covers some 1,700 companies in 94 industries and reaches an estimated half-million readers. This publication features the Value Line Timeliness™ Ranking System, which projects a stock's likely price performance over the next six to 12 months. *The Value Line Investment Survey* has been cited frequently by outside researchers for the outstanding performance of its top-ranked stocks—and recently as the top publication over the last 13 years among those whose results are tracked by the independent and highly respected *Hulbert Financial Digest*.

The Value Line Investment Survey—Expanded Edition more than doubles the coverage of the standard *Value Line Investment Survey*. Introduced in March 1995, it covers 1,800 mostly small-cap stocks in weekly editions, providing most of Value Line's proven statistical measures. The *Expanded Edition* uses a modified Ranking System: Performance Ranks are assigned to each stock, based on the familiar scale of 1 through 5 (1 being the Highest). In place of analysts' commentaries and performance estimates in the standard service, the *Expanded Edition* presents a more detailed description of each company.

The Value Line Mutual Fund Survey applies the proven, trusted Value Line format, research discipline, and analysis to more than 2,000 individual stock and bond funds. Introduced in 1993, this biweekly publication provides the most extensive data available to mutual fund investors. It consists of three elements:

- “*Ratings & Reports*,” with full-page profiles of 1,500 funds plus semianual coverage of about 500 important newer funds and 100 leading fund families.
- “*Performance & Index*,” updating the performance statistics on all 2,000 funds in the Value Line universe biweekly.
- The “*Mutual Fund Advisor*,” a separate, monthly newsletter that offers advice, commentary, and insights on current trends.

The Value Line No-Load Fund Advisor, a monthly newsletter, addresses needs of investors who wish to manage their own portfolios of no- and low-load funds. Each issue features strategies for maximizing total return, with special attention given to tax considerations. Also featured are model portfolios for a range of investor profiles, information about retirement planning, industry news, and listings (with descriptions) of new funds worthy of further consideration. The publication provides a full statistical review, including latest performance, rankings, and sector weightings on 600 leading no- and low-load funds.

The Value Line OTC Special Situations Service focuses on smaller-capitalization, potentially high-growth companies (usually traded over-the-counter). Issued semimonthly, this publication is especially appropriate for aggressive investors. The performance record of its recommended stocks has frequently been cited among the best of investment publications.

The Value Line Options Survey reviews more than 8,000 options contracts four times each month, ranking each for probable future performance. Both its low-risk recommendations (principally covered call-writing) and its high-risk strategies have consistently recorded outstanding performance results.

The Value Line Convertibles Survey covers 585 convertible securities (both bonds and preferred stocks) and 70 warrants. Issued four times each month, the convertibles service was recently cited for its performance record: No. 1 on the *Hulbert/Forbes* honor roll of investment letters that "...delivered the best returns in relation to the risks...."

Value Line Total Return Service, customized for each company, provides comparisons of the company's own performance in relation to a peer group and a market-capitalization-adjusted index. These data (presented on diskette and in hard copy) satisfy SEC regulations on disclosures related to executive compensation and company performance.

Value Line Investment Survey for Windows®. This powerful new software service provides unprecedented analytical capabilities. These include powerful sorting, filtering, graphing and reporting capabilities on individual common stocks, industry groups, or portfolios.

The core database is the 1,700 stocks covered by the *Value Line Investment Survey®*, with an expanded version providing information on over 5,000 stocks. (The 5,000 stock version is available on CD-ROM only). The software includes over 200 data items for screening groups of stocks. The new service is available on CD-ROM or 3.5-in. diskette for IBM-compatible PCs, with monthly database updates on disk and weekly updates available via on-line downloads.

This new electronic presentation of the flagship *Value Line Investment Survey®* is unique, with analytics that are substantially more sophisticated than anything that is currently available. We anticipate that both current subscribers to the print publication and others not now subscribing to our services will greet this new Windows®-based program with great enthusiasm.

Value Line Mutual Fund Survey for Windows®. This data/software service includes extensive capabilities for viewing, sorting, screening, graphing, and preparing reports on mutual funds in the Value Line universe. It presents full data on over 7,000 funds, with monthly updates. Users also can access weekly updates through Value Line Online, which also carries the monthly newsletter, the Value Line "Mutual Fund Advisor."

Other functions of the new software include screening the data to select funds for evaluation, analyzing individual funds or fund groups, evaluating portfolios under user-determined scenarios, presenting data in graphic or report form, and portfolio analysis capabilities that can present the composite performance, risk/reward profile, and asset allocations of a group of up to 200 funds. The software is available on CD-ROM for IBM-compatible PCs. An enhanced CD-ROM version (with E-Page) allows access to reports on the mutual funds published in **The Value Line Mutual Fund Survey**.

Value Line No-Load Analyzer for Windows®. This new electronic service presents a no- and low-load version of Value Line's fund-analysis software. Newly launched as an alternative to the extensive coverage of the **Mutual Fund Survey for Windows®**, the program features the same sophisticated

sorting, screening, filtering, portfolio analysis, and graphics capabilities. Its database presents essential information on over 2,500 individual funds.

Value Line DataFile presents in electronic format historical financial records (annual and quarterly) for approximately 5,400 U.S. and international companies. The data, updated weekly, enable investment professionals to conduct intensive equity research effectively.

Value Line Estimates & Projections File, also updated weekly, presents to institutional clients the forward-looking data from 1,600 of the companies covered in *The Value Line Investment Survey*—both performance estimates for up to eight quarters ahead and 3- to 5-year projections.

Value Line Convertible Securities File offers screening capabilities for the convertible issues covered by Value Line, using the latest prices or target prices. Updated weekly, it contains almost 150 fields of technical, fundamental, and forecast data.

VALUE LINE
MUTUAL FUNDS

Value Line manages more than \$4 billion in its family of 16 mutual funds.

Value Line Fund

Value Line Income Fund

Value Line Special Situations Fund

Value Line U.S. Government Securities Fund

Value Line Strategic Asset Management (SAM) Trust *

Value Line Centurion Fund *

Value Line Leveraged Growth Investors

Value Line Convertible Fund

Value Line Aggressive Income Trust

Value Line Tax Exempt Fund

Value Line New York Tax Exempt Trust

Value Line Asset Allocation Fund

Value Line Small-Cap Growth Fund

Value Line U.S. Multinational Company Fund

Value Line Cash Fund

** Only available through the purchase of Guardian Investor, a tax deferred annuity, or ValuePlus, a variable life insurance policy.*

Established in 1978, the Asset Management division is responsible for the management of some \$1.5 billion on a discretionary basis (for corporate pension and retirement, government retirement, endowment, and trust accounts and those of high net-worth individuals). The major tools for selecting individual investments and managing individual portfolios are the Value Line Timeliness™ Ranking System, the Value Line Performance Ranking System, and the Small-Cap Ranking System—applied when appropriate). Among specific orientations available to clients are Standard Equity, Quantitative Equity, Small-Cap Equity, Balanced, and Fixed Income.

The group's active management style has consistently yielded above-average returns for clients.

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