PRODUCT GUIDE

Value Line Select:® ETFs

Smart research. Smarter investing.™
Welcome to *Value Line Select: ETFs*. We hope this guide will make it easy for you to find good investments that will help you diversify your portfolio.

**OVERVIEW**

Published monthly, *Value Line Select: ETFs* is designed to help investors build and manage a diversified portfolio of exchange traded funds that are expected to outperform the broader market over the near and long term, without taking on undue risk. Every recommendation is hand-picked by the Value Line Research Department, which consists of more than 70 analysts, economists, quantitative specialists, and financial data professionals. Each month, regardless of the market climate, we provide a comprehensive 15–20 page report highlighting just one exchange traded fund (ETF) that is recommended for purchase. Features of the monthly report include:

- A detailed discussion of economic and stock market developments.
- A focused look at the recommended ETF, including its strategy, investment attributes, and expense structure.
- An expansive analysis of the ETF’s prospects and growth drivers that are expected over the near and long terms.
- A detailed overview of the ETF’s major components and, in particular, data and analysis on its top holding(s).
- A final overview clearly explaining why we’ve selected this ETF for your consideration.

This research provided in *Value Line Select: ETFs* includes statistical overviews of past and current performance, prospects, and other pertinent data. Investors will receive focused insight into the ETF’s competitive advantages, as well as any catalysts and opportunities that ought to propel its shares ahead of the broader market averages. In summation, the reports provide a clear and concise argument explaining the rationale behind each selection. Recommended ETFs are then added to the *Value Line Select: ETFs* Portfolio, and updates in regard to previous selections are included in the monthly reports.

**BACKGROUND**

An ETF, or Exchange Traded Fund, is a marketable security that is essentially modeled after specific indices, industries, commodities, bonds, or a bundle of assets, such as an index fund. The primary distinction between mutual funds and ETFs is that the latter trade on a stock exchange like an equity. Indeed, ETFs are subject to price fluctuations similar to those of common stocks, as they are bought and sold during market hours. Additionally, among the ETF’s more compelling attributes are its increased daily liquidity and generally lower fees versus traditional mutual funds.

Individual retail investors and institutional financial advisors alike, have become increasingly enamored with the burgeoning ETF market. This paradigm shift marks the rise of what has been dubbed the “passive” investment management style. That is to say, some research suggests that the lofty expense of an actively managed method does not necessarily equate to market-beating returns over the long haul. Indeed, value guru and financial icon Warren Buffett
has long been a vocal proponent of passive investing and there is a bevy of historical evidence to support that point of view. Consequently, while passive investing has been around for decades, the irrefutable surge in popularity of late has propelled the ETF market. Indeed, the ETF industry has ballooned in excess of 2000% over the past 13 years, with the lion’s share of that growth achieved in the years since the 2008–2009 recession. In fact, using the expansion of respective asset bases as a comparative measure, ETFs have blown away their kindred mutual fund alternatives, which have generated a mere 120% growth in assets over the aforementioned span. All told, whether you seek active or passive investments, it is our charge to provide investors with the research necessary to keep them equipped to make the most informed investment decisions.

SELECTION PROCESS
The Value Line Economics Department continuously evaluates the prospects of the economy and stock market, and our Research staff is always on the lookout for worthwhile investment ideas and strategies. Using a wide variety of criteria, including a host of proprietary Value Line ranks and ratings, financial estimates and projections, and analyst expectations, Value Line selects an ETF each month that possesses above-average growth prospects, a reasonable risk and expense profile, as well as healthy underlying business fundamentals and outlook. The following variables are included in the selection process (for definitions and more information in regard to the terms below, please consult the Investment Education section and glossary on www.valueline.com):

- Expense Ratio
- Tracking Error
- Annual Yield
- Earnings Yield
- Net Asset Value
- Risk-Adjusted Performance (Sharpe ratio)
- Underlying stocks appear undervalued or appropriately priced based on a number of valuation criteria, including P/E Ratio, Book Value, and others. We consult our proprietary computations and estimates as published in The Value Line Investment Survey.
- Value Line analysts expect that the ETF’s components, overall, will experience healthy top- and bottom-line expansion over the quarters and years ahead

SELL NOTIFICATIONS
Unlike an equities portfolio, owning a large number of ETFs tends to be unnecessary. Thus, we will regularly recommend that followers of the service sell their positions in previously highlighted ETFs, and apply the proceeds to one or more of the current holdings within the Value Line Select: ETFs Portfolio. Our reasons for selling an ETF can vary widely: from an issue that has performed very well where we think that taking profits is prudent, to the ETFs prospects deteriorating to a point where we think that better investment opportunities lie elsewhere.

PRODUCT ACCESS
Value Line Select: ETFs is available via print and email.