



Value Line®

PRODUCT GUIDE

VALUE LINE SELECT® ETFs



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The Most Trusted Name In Investment Research®

Value Line Select ETFs

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 nearly 70 analysts, economists, quantitative specialists, and financial data professionals. Each month, regardless of the market climate, we provide a comprehensive report highlighting just one exchange traded fund (ETF) that is recommended for purchase. Features of the monthly report include:

- A discussion of pertinent 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 term.
- A detailed overview of the ETF's major components and, in particular, data on its top holding(s).
- An unambiguous conclusion 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 regarding changes to the portfolio are included in the monthly report.

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. Most, if not all of our selections will be funds focused on stocks. 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 movement has something in common with what has been dubbed the "passive" investment management style, or more specifically, "automatic diversification." It is no easy task for an investor to select the one or two stocks that will win the

race with other issues. Hence, many prefer to buy an ETF that holds dozens of stocks within an industry sector, or even many hundreds for the ETFs that mimic broad indexes like the Russell 2000.

The Value Line economists and editors address this strategy first by honing in on industries or sectors that can be expected to thrive in the forecasted economic environment. Then we use our deep expertise on the gamut of individual stocks to choose one ETF in a particular sector that has the right approach to selecting the stocks to own. We also study expenses as well as sophisticated statistical measures such as tracking variation and many others.

The ETF industry has grown exponentially since inception. In fact, using the expansion of respective asset bases as a comparative measure, ETFs have far exceeded their kindred mutual fund alternatives. 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 owning stocks that possess above-average growth prospects, as well as healthy underlying business fundamentals. We also evaluate the risk and expense profile of the ETF. 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
- Annual Yield

- Earnings Yield
- Net Asset Value
- Risk-Adjusted Performance (Sharpe ratio)
- Underlying companies held in the ETF are well positioned in growing industries, and are ranked favorably by proprietary Value Line ranks and ratings.
- 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 ETF's prospects deteriorating to a point where we think that better investment opportunities lie elsewhere.

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Value Line Select ETFs is available via print and online at our password-protected website www.valueline.com.

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