

Monetta

YOUNG INVESTORS

BECOMING AN...

Informed Investor

A bond is basically an IOU that is issued by corporations and the government (both local and federal) to fund various types of projects. For example, if your city wanted to raise money to buy a new pool for the community, they might issue a bond offering. You could buy a bond from the city and they would promise to repay your money back plus a little more (interest) over a specific timeline. They would then use the money they received to build the pool and hopefully make enough money to pay you back.

When deciding on a bond to purchase, it is important to evaluate its risk and return. The higher the risk that a company cannot pay back the money they borrowed, the higher the return an investor expects. One of the more common ways to determine a bond's risk and return is to evaluate a bond/company's credit rating. Credit ratings are assigned by independent credit rating agencies such as Moody's and Standard & Poor's. These agencies

analyze a company's financial strength and cash flow to determine its ability to pay off its loans. Based on this analysis, the agencies assign a letter designation (A, B, C) to reflect the quality of the bond. Typically bonds rated above BBB are considered high quality and lower risk and are typically referred to as "investment grade" (AAA is considered highest quality). Bonds rated below BBB- are lower quality and higher risk and are typically referred to as "junk bonds".

Credit ratings play a critical role in determining the interest rate a company will have to pay when they borrow money. An investment grade bond typically pays a lower interest rate than a lower rated bond. In addition to its credit rating, a bond's interest rate reflects specific features of a bond issue, such as when the bonds can be redeemed, if the bond can be converted to stock or if the bonds are secured with specific assets.

A bond's credit rating can improve or decline depending on how well the company/government manages its budget and its financial condition.

While evaluating a bond for investment purposes can be a difficult task, a company's bond rating is usually a good starting point.



Running with the Bulls Stock Market Game To Be Announced

SUCCESSFUL ENTREPRENEURS

Ray Kroc, who was born in 1902, revolutionized the American restaurant industry by standardizing the production of hamburgers, french fries and milk shakes to ensure consistent taste. As a milkshake machine salesman he routinely visited restaurants that purchased one or two of his multi mixer malt machines. One restaurant in San Bernardino, California, called McDonald's purchased eight multi-mixer machines which could make 40 milkshakes at one time! Kroc was curious why a restaurant needed the capacity to make that many milkshakes and decided to visit the restaurant.

Standing under two radiant golden arches he observed lines

of people being serviced in an assembly line system where orders were filled in less than sixty seconds. Kroc seeing the advantages of a quick, food service system, convinced the McDonald Brothers to grant him franchise rights to expand the chain nationwide. In 1961, he purchased the company and name rights from the McDonald's Brothers. In 1963, he introduced the famous company mascot, Ronald McDonald, and the rest of the growth story is history.

A side note: Ray Kroc and Walt Disney knew each other as they were both drivers in the same American Red Cross Ambulance Unit in WWI. Legend has it, that in 1955 Kroc wanted to open a McDonald's restaurant in the theme parks but it never made it past the talking stage because Kroc hadn't actually run a restaurant yet. Walt Disney liked fast food, especially the burger and fries served at McDonald's.



Bond Quiz

- If a company demonstrates improving financial strength what could happen to its bond rating?
 - Upgraded
 - Downgraded
- The risk of default is greater in which type of rated bonds?
 - Greater than BBB
 - Lower than BBB
- If a rating agency upgrades a bond rating, the other rating services will soon follow?
 - True
 - False
- If a rating agency downgrades a bond:
 - What impact will it have on its coupon rate?
 - Higher
 - No change
 - What impact will it have on the price of the bond?
 - Higher
 - Lower
 - What impact will it have on bond yield levels?
 - Rises
 - Declines
- High-yield bonds are typically what type of bonds?
 - Investment grade
 - Junk

Answers: 1.U, 2.L, 3.F, 4.N, L, R, 5.J

Featured Partner



GiftofCollege.com

Revolutionizing the process of gifting for college. Parents can now contribute to their Monetta investment account through the use of a debit or credit card.

For more information visit www.giftofcollege.com

Laughing Studio

What has four wheels and flies?

A garbage truck.

What did the penny say to the other penny?

We make perfect cents.

Why did the cookie go to the hospital?

He felt crummy.

Where does a polar bear keep his money?

In a snow bank.



Submitted by Tatum in Dover, MA. Winner of the \$10 Target gift card.

KIDS, if you have a joke that you would like to submit, please send it to info@monetta.com. If we use your joke we'll send you a special prize!

Ha
Ha
Ha



Kid-Themed Investments



• Dunkin' Brands is the parent company of Dunkin' Donuts and Baskin Robbins.

• Dunkin' Donuts was founded in 1948 under the name "Open Kettles" and changed the name to Dunkin' Donuts in 1950.

• Baskin Robbins was founded in 1946 by Burt Baskin and Irv Robbins. Their "31 Flavors" of ice cream is based on a different flavor for each day of the month.

• June 1st is National Doughnut Day. In previous years, Dunkin' Donuts has had a promotion to get one free donut with the purchase of any beverage.

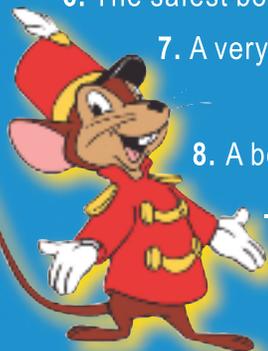
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GAME STUDIO

W I N A S U R P R I S E !

Fill in the Blanks with the word Bank Below

1. An IOU is similar to a corporation issuing a _____.
2. Each bond has a _____ value that it will pay back at maturity.
3. A bond's set rate of interest is called a _____.
4. When interest rates rise bond prices _____.
5. Bonds are considered less risky than _____.
6. The safest bonds usually receive a _____ rating.
7. A very low quality bond is called a _____ bond.
8. A bond rating is similar to a _____.



WORD BANK

credit score, junk, AAA, bond, coupon, fall, par, stocks

Test Your Knowledge

Name _____
 Address _____
 City _____ State _____ Zip _____
 Phone _____
 E-mail _____
 Age _____

Mail or email to: info@monetta.com

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YOUNGINVESTORFUND.COM



Mail back the puzzle with your name and address to above mailing address or email to: info@monetta.com.

Entries must be received by June 30, 2013.