



YOUNG INVESTORS

BECOMING AN...

Informed Investor

Today's Topic:
Investing Basics

There is no magic formula, study courses or superior intelligence level that will guarantee your investment success. However, here are a few basic rules of investing that, if applied, will help you in the decision-making process (many of these rules were written in 1935 by Gerald M. Loeb, in his book "The Battle for Investment Survival").

- **ANALYZE THE MARKET TREND.** Think of the market trend as the "wind". Investing in a sector that is out-of-favor is similar to walking uphill into the wind, while investing in a more favorable sector is similar to walking downhill with the wind at your back.
- **STOCKS DON'T RESPOND TO OLD NEWS.** Stocks go up for a reason, but not for the same reason twice. For example, a company could report excellent earnings but its stock price declines on the day of the announcement. This is because the expectation of good earnings was already reflected in the stock

price. Keep in mind that today's newspaper is yesterday's news.

- **A STOCK PRICE REFLECTS SUPPLY AND DEMAND.** A stock price is never too cheap or too expensive, but rather is a constant snapshot of changing supply and demand. Among other things, a stock price reflects investors' current expectations.
- **CUT LOSSES.** This is the single most important investment decision when seeking safety of capital. Every effort should be made to minimize losses. It is a great mistake to think that what goes down will eventually go up.
- **A LOW PRICE STOCK MAY NOT BE A CHEAP STOCK.** A stock moves up as expectations improve, not because of its low price. Remember, price reflects expectations. A low-price stock isn't cheap if it stays cheap.



**CONGRATULATIONS! SHARI FROM EXCELSIOR, MINNESOTA
LAST QUARTER'S ONLINE CHALLENGE WINNER OF THE FIIP VIDEO CAMCORDER**

THINGS TO KNOW

To effectively evaluate an investment return you need to compare it to similar types of investments. Professional investors typically compare themselves to a "benchmark" index. A benchmark index is a standard against which the performance of an investment is measured. For example, a mutual fund that invests in U.S. common stocks is usually benchmarked to the S&P 500 Index. Why is this important? Hypothetically, say that you are looking at a fund that gained 15.1% in the prior year. That seems like a pretty good investment, until you compare it to the S&P 500 Index which was up 72.3%...now what do you think? One of the most important things to remember about a benchmark is to find the best one that fits the specific investment style...the following are a few examples on how to determine the best benchmark:

1. Investing in a Government Money Market Fund is a very conservative investment that has minimal principal risk. Which investment option would be the appropriate benchmark?
 - a. Stock Market Index
 - b. Bond Market Index
 - c. Bank Savings Account
2. If you invest in a high risk Technology Fund, what would be the most appropriate index?
 - a. Stock Market Index
 - b. Bond Market Index
 - c. Bank Savings Account

Answers: 1.c, 2.a. The key is to find a relevant comparison...it's about relative rather than absolute return.

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Laughing Studio



Kid-Themed Investments



Why is Snow White such a wonderful judge?

• Because she's the fairest of them all!

What kind of food is crazy about money?

• A dough-nut.

Where do pencils come from?

• Pencil-vania.

What do you call cheese that is not yours?

• Nacho-Cheese.

What did the alien say to the garden?

• Take me to your weeder.

Ha

Ha

Ha

Ha



• While the company's roots can be traced back to the 1700s, it was in 1903 that James Kraft started a cheese business in Chicago, IL.



• Did you know that the Mr. Peanut figure was introduced in 1916 after it was submitted by a schoolboy in a company sponsored contest?

• For the year ended 2008, Kraft generated \$41.9 billion in revenue...that's enough money to buy approximately 450 hot dogs for each person living in the United States!



• Did you know that the Oreo cookie has been around for 97 years! One of Kraft's other cookies, Chips Ahoy!, made its first appearance in 1963 and was packaged in a modified coffee bag.

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GAME STUDIO

This Quarter's Anagram Puzzler-Win A Surprise!

NURTER The yield on an investment.

ECENRFPRAMO How well your investment is doing.

TILOOROFF A collection of investments.

SREMMNTAEUE A process of being measured.

DXEIN A collection of data.

LUEVA In General: Price times quantity.

RNKEACMBH A point of reference for evaluating performance or level of quality.

_____ return is more meaningful than absolute return.

OBJECTIVE:

Unscramble the seven mixed-up words; there is a hint for each word.

Use the highlighted letters to answer the solution to the puzzle. **GOOD LUCK!**

Name _____

Address _____

City _____ State _____ Zip _____

Phone _____

E-mail _____

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