



# EVENT DRIVEN INVESTING

INCREASING RETURNS & LOWERING RISK  
ON THE ROAD LESS TRAVELED

DOMINICO JOHNSTON

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# Preface

Every investor is looking for a crystal ball to help them predict the future of the stock market. The holy grail of investing is taking the risk out of the quest for high rates of return. Everyone wants to beat the market, but for a number of reasons, only a minority will achieve the goal.

There is no crystal ball, but there is a strategy based on actual events that can help you become a better investor. Through my years of investing I've employed a number of strategies. Some strategies were precisely defined and some more loosely defined. As an individual investor I've seen things go right and completely wrong. I've taken my lumps, yet I've learned and come back stronger.

How have I become a stronger investor? I've done this by employing a strategy that focuses on identifying specific events. This strategy, detailed within the following pages, will enable you to minimize your risk while still capturing a stock's growth potential. Whether you're an experienced or novice investor, this event driven strategy will help you to realize the gains you aim to realize in your personal portfolio.

If this sounds too good to be true, I understand. Let me assure you, this is not a get rich quick scheme or an empty promise of a 500% return in the next year. However, I do promise that you will learn a basic event driven strategy that will enable you to become a more informed investor, improving your ability to reduce your portfolio's risk and consistently beat the market.

Come along and become a better investor.

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# Why an Event Driven Investment Strategy?

*“Know what you own, and know why you own it.” -Peter Lynch*

Event driven investing is a strategy that focuses on identifying a major upcoming company event(s) and investing in a company prior to or after the event occurs. It is a strategy that involves both the management of risk and reward.

How much risk are you willing to take for a certain return? Investors are constantly looking to minimize risk and maximize gain. In the following pages you will see how investing in a particular area of the market can enable you, the individual investor, to dramatically reduce risk while outperforming the market.

The strategy described in the following pages finds its foundation in event driven investing, but it is specifically tailored to help individual investors capitalize on inefficiencies in the market. Certain areas of the stock market are more efficient than others. Those areas that are not as efficient in terms of quickly pricing in new information offer an opportunity for those that are cognizant of what events are occurring.

As an individual investor, you are in a unique situation. You are free to invest where you want, how you want and when you want. Institutional investors do not have this degree of investing freedom. Therefore, it makes sense to look for a strategy that leverages your freedom.

Institutional investors may have resources squarely on their side, but where they are restrained from venturing, you do not have to compete against their knowledge, connections and other resources. Event driven investing is a good strategy that can become a great strategy when you are not competing with fund managers that have millions of dollars to invest at their disposal.

Think of investing as if you're running a business. A successful business needs a planned strategy and clear understanding of what it is doing and seeks to accomplish. Being a successful investor takes a similar mind set. Without some form of strategy and an idea of what you are trying to accomplish, it is extremely unlikely that you will consistently beat the market. You will most likely underperform the market; whether it is a bull or bear market.

If matching the market is your goal, then invest in a fund that is designed to match a broad based index like the S&P 500. If you are looking to outperform the market, my event driven investment strategy will provide you with a framework to achieve above average market returns, while minimizing your exposure to risk.

Almost anyone can take advantage of the event driven strategy I'm presenting. A general understanding of the market is necessary, just as a general understanding of the operations of a car and the rules of the road is necessary to be able to be a good driver. You do not need to be a finance guru or have experience in technical analysis. What you do need to have is a handful of desire, a handful of discipline and a decent amount of common sense between your ears.