

# **Online Trading Comparison: Sector Fund Investing**

**An Online Trading Comparison of 5  
Lucrative Sectors**

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## Online Trading Comparison: Introduction to Sector Fund Investing

You know how the old saying goes – “variety is the spice of life!” This saying can be applied to many aspects of life, but chances are if you don’t choose to follow it, the consequences aren’t dire. Well, investing in the stock market is one circumstance where variety pays off, and the consequence will be dire if you choose to ignore the age old idiom. This online trading comparison will show you how smart investors diversify their portfolio, and trust me, each person will have their own opinions as to what is the BEST way to split up your assets.

This online trading comparison guide is not designed to tell you exactly what to do. That would be too easy, right? Instead, think of this online trading comparison as a roadmap to guide you on the long and windy path to portfolio enlightenment. In the following pages, you will get a detailed online trading comparison of some of the ways smart investors diversify their portfolios. I am talking specifically about investing in sector funds as the most efficient and profitable way to spice up your asset mix.



Sector funds allow people to invest in mutual funds that focus on one particular sector of the economy. Just like any aspect of investing, sector funds must be approached with a certain degree of caution- this is where an online trading

comparison helps. These funds definitely have their advantages and disadvantages, depending on the sector and external factors related to the sector.

This online trading comparison guide will define and analyze five popular sector fund categories, including the pros and cons associated with each. Keep in mind that no two sector funds are alike. The sectors highlighted in this online trading comparison are real estate, healthcare, alternative energy, precious metals, and technology. Once you are finished with this online trading comparison, you will understand just how many money making opportunities will slip right through your fingers if you are lacking the proper portfolio diversification.

As you read this online trading comparison of sector funds, I want you to have your asset allocation right beside you. Every time I start to talk about a new sector in this online trading comparison, I want you to look at your portfolio and objectively assess how well you rate as far as the representation of that particular sector in your portfolio. By completing this simple exercise while reading this online trading comparison, one of two things will likely happen: 1. You will realize that your portfolio is actually pretty well-diversified and probably only needs a little bit of fine tuning here and there, or 2. You will dial your financial advisor's office, and talk about why 80% of your portfolio is tied up in a low-yield money market account.

Whatever the outcome is, I guarantee that you will take away a couple of valuable lessons from this online trading comparison. Even if you put this online trading comparison down and decide that sector fund investing is not for you, I hope that you will be inspired to conduct an occasional online trading comparison of your own to make sure that your portfolio remains competitive as the markets shift and change.

## Online Trading Comparison: The Real Estate Sector

It is no surprise to anyone reading this online trading comparison that the real estate market has been struggling for the last couple of years. The subprime mortgage crisis delivered a damaging blow to the market that once upon a time, was thriving. As the demand for real estate increases, real estate sector funds become more appealing to investors.

Real estate funds give retail investors the opportunity to invest in real estate ventures that they otherwise could not participate in. Commercial real estate projects like skyscrapers and office parks require the buy-in of a lot of investors before they can even break ground. This is where you come in. Regular investors like yourself can realize gains from investing in real estate funds without actually buying property.



When conducting an online trading comparison of sector funds, it is difficult to decide which sectors to look at. Some sectors historically perform better than the broader market, but there are also some sectors that have a patchy history compared to the broader market. As far as real estate funds are concerned, they tend to follow the broader market.

Even though the real estate sector generally follows the broader market, these funds have a strong potential to be volatile and unpredictable. This tends to keep some investors away, but the truth is that you will face a degree of risk in any sector, market, or industry –just look at any online trading comparison. The bottom line is that if you have a vested interest in the real estate market, then you should do your

own online trading comparison to see where those types of investments fit into your overall investment plan.

This is why it is extremely important to read an online trading comparison of different sector funds. It is never a smart idea to jump blindly into any trade or investment before doing an online trading comparison. By taking the time to do an online trading comparison, you will save yourself a lot of time, energy, and most importantly a lot of money.

Investing in real estate sector funds favors investors who are more inclined to take a long-term approach in the market. As we saw with agencies like Fannie Mae and Freddie Mac, when the real estate sector falls, it falls hard and fast. This sharp decline trickles down mercilessly into the investments of the little guys. On the other hand, when the real estate sector is stable, investors will enjoy both growth and income benefits from their real estate funds.



For people interested in the tax benefits associated with investing, look no further than real estate funds. Investors whose portfolios contain appreciated properties will enjoy hefty capital gains distributions if these

properties are sold. If you are looking into investing in real estate funds, make sure you conduct your own online trading comparison of the tax advantages to make sure that you are getting the most out of your investments.

As real estate prices stabilize, investors should seriously consider real estate funds. As consumer confidence strengthens and the credit crisis becomes a thing of the past, home sales and construction should follow suit and hit an upward stride. Smart investors assess the strength of a sector based on what is going to happen in the future, not by what has happened in the past.

The battered real estate market is brushing itself off, and is poised for a lengthy period of growth and expansion. The real estate sector comes with its risks, but investors who are patient enough to see their real estate investments through will capitalize on impressive gains and highly competitive dividend returns.

I hope that you are actively scrutinizing your asset allocation as you read this online trading comparison of sector funds. Without a diversified portfolio, you will realize the potential gains out there in the market just waiting for you. Chances are at the end of this online trading comparison, you will not believe how much money has been right under your nose.



The next sector I am going to discuss in this online trading comparison is very different from the real estate sector in nature. I am talking about the healthcare sector, which is further complicated by sub sectors, like the biotech sector, that add to its inherent volatility. Prepare yourself as you learn about the risky, but rewarding world of health care funds.

## Online Trading Comparison: The Health Care Sector

According to experts, health care funds are among the top growth funds to invest in over the next decade. There are plenty of reasons why health care funds are expected to be profitable for investors in the coming years, but the bottom line is that this industry has two important qualities: It is resilient and it is recession proof.

In this online trading comparison of sector funds, I am also going to spend some time on the sub sectors in the health care market, including the volatile, but lucrative biotech sector. A couple of years ago, health care stocks were some of the most sought after stocks in the industry. While they are still extremely popular among investors, new health care legislation is making some investors cautious when it comes to health care stocks.

Regardless of what the government manages to get their hands on, health care will always be a necessary part of society. It is one area where the supply will never beat the demand for the product. That is the type of formula investors like to see. While the industry as a whole is a money maker, it is sometimes difficult to single out individual companies.

Not only is the health care industry booming in the United States, but many foreign countries are also experiencing the same rate of growth in their health care sectors. This is why health care funds are featured as a part of this online trading comparison of sector funds. Investing in a health care fund is definitely the smartest way for investors to gain exposure to this market while minimizing their risk.

This is especially true in the biotech sector, where stock prices can rise and fall so dramatically, the trend might be over before you even are aware that it began. The biotech industry is one of the most popular sub sectors of the health care industry.

Biotech stocks are not for the faint of heart, however. The biotech sector consists primarily of highly competitive pharmaceutical companies racing to develop the next big time drug to hit the market. A lot of investors are really intimidated by the volatility of this sensitive market. The drug business is lucrative, but a company can easily fall just as quickly as it rises. This type of unpredictability can wreak havoc on portfolios.

I really don't blame people for approaching the biotech sector with caution. On any given day the stock price of a biotech company can fluctuate between being 300% up and 50% down. Talk about a rollercoaster ride! There should seriously be a disclaimer associated with biotech stocks.



If you think that you have what it takes to invest in the biotech sector, then I strongly encourage you to conduct an online trading comparison of your own to see where biotech stocks fit into your portfolio as a whole. Maybe you want to start off small at

first until you get your feet wet – devote only 5% or 10% of your entire portfolio to a biotech ETF. Remember though - in the stock market, the larger your investment, the larger your return.

While the biotech sector often steals the spotlight in the health care industry, there are other profitable areas for investors to watch, especially with health care reform. As a whole, health care funds are going to be one of the smartest investments you can make. In addition to the aging population, more and more people are going to be in the market for health care – meaning more business for health care companies across the board.

If you conduct an online trading comparison of the performance of health care companies over the last five years, you will no doubt see a steady increase in earnings and revenue. This is a trend that will not be reversing any time soon. One of the greatest benefits of investing in health care funds is the opportunity to use these funds to hedge against your other, riskier investments.

I know that I said that in an online trading comparison, health care stocks can be among the most volatile, but it can get worse. Hedging is a sophisticated strategy used by the best traders on Wall Street to protect their investments while still exposing themselves to potentially profitable opportunities.

The next industry in this online trading comparison of sector funds is an explosive, yet highly lucrative sector, if you play your cards right. I am talking about the alternative energy sector, which is a hot player right now both on Wall Street and in Washington. The global climate is at risk, and everyone is searching for a solution. Alternative energy has the potential to play a major role in restoring our ailing globe, and the smart investors will be right there cashing in on this climate change.

## Online Trading Comparison: The Alternative Energy Sector

Investors and traders on Wall Street are all speculating as to what will create the next Stock Market boom. Some claim that the technology sector will experience a huge comeback, other suggest that fossil fuels are in line to create the next market bubble. I know a few investors who are convinced, on the other hand, that alternative energy is going to be the source of the next huge Stock Market rally. I happen to agree with the latter.

So much of the Stock Market relies on decisions made by the government. The current administration is committed to taking on the challenge of creating a strong alternative energy infrastructure in an effort to establish renewable sources of energy to power our world. If you read an online trading comparison of energy sources, you will see that the world's nonrenewable energy sources are eventually going to run out, leaving the world in a serious crunch.

The energy crisis is one of the biggest challenges of our generations. On the other hand, it is this crisis that can open profitable opportunities for savvy investors who have the foresight to predict which alternative energy companies are going to take the lead.



Since the future of alternative energy is uncertain, investing in alternative energy funds is a safe way to get in on the action without putting too much on the line.

In case you don't know, the big players in the alternative energy sector are wind, solar, and hydro power. If the government gets its way and companies in these industries receive funding to move forward with developing vital renewable energy solutions, investors will be met with some pretty profitable opportunities in the near future. If you do an online trading comparison of the top researched energy funds, you will find that the focus has shifted more towards funds that offer a basket of companies who are in the alternative energy field.



One thing that investors can count on when it comes to the alternative energy sector is that the world's need for energy is only going to increase as the population grows and top producing countries need to manufacture more and more products to keep up with the demand. With a limited supply of fossil fuels, which produce the majority of energy now, people will need a new place to turn.

The answer is no longer oil. When we take a look at the technologies being developed in the energy world, everything is geared toward clean energy. Going green is becoming more than just a trend, but rather a way of life. Over the course of the next century, there is going to be an energy overhaul, and it happens to be starting right now.

Investors don't always get the opportunity to get in on something big at the very beginning. Think about the guys who had the foresight to get in at the beginning of the tech boom. This alternative energy craze has the ability to take off in a similar manner. When you do your own online trading comparison of sector funds, you will see that the alternative energy funds are probably the most exciting of them all.

The alternative energy industry was virtually on the verge of extinction on Wall Street just a few years ago, but with the fairly recent concentration on issues like global warming, this sector is back on the front of investor's minds. Not only are these climate issues becoming hot button topics on campaign trails, but they are also the center of many debates within the scientific community. Anytime an issue is in the limelight, investors can be sure to find some profitable picks within that sector.

Earlier in this online trading comparison report, I talked about how smart investors use sector funds to hedge against their other investments. The alternative energy sector is full of opportunities for investors to hedge against increasing oil prices.

As you can see from your own online trading comparison research, the alternative energy funds available are relatively early in their development. For this reason, I recommend being highly selective when choosing which alternative energy fund is right for you. In the beginning, you will probably want to pick a fund that is very closely managed by a professional in the field.

As you can imagine, the alternative energy sector has a lot of opportunity for growth investments who have the time and the patience to see their investments through to fruition. Exciting things are on the horizon, but alternative energy is definitely not the sector that is going to deliver a short-term boost to your portfolio.

## Online Trading Comparison: The Precious Metals Sector



Very few asset classes yielded positive returns for investors last year, but gold happened to be one of them. While investors seemed to be pulling back in most other asset classes, an online trading comparison showed that investor interest in gold and other precious metals remained strong and steady. When the economy starts to go down the drain, the same investors who were once enjoying mega profits start to get a little worried about their investments and the pull their money out. Some might call these people fair weather friends. I call them smart investors who know how to protect their assets. Taking money out of other investments and turning to gold and silver is a response to the fear of inflation that develops when investors watch banks create more money in order to prevent deflation. The problem with creating money in the moment without regard for the future means that there is an increased risk for inflation.

Because certain precious metals like gold and silver are traded as both currencies and commodities, they are very sensitive to periods of inflation. During times of inflation, commodity prices rise because they are priced in US Dollars. This makes precious metal funds the perfect way for investors to hedge against inflation. See, if you do an online trading comparison of currencies, you will find that gold and silver offer investors the most upside potential since they are the only non-paper currency.

Just like every other investment option mentioned in this online trading comparison of sector funds, precious metal funds don't come without a certain degree of risk.

Since they are the most popular of the precious metal funds, I am going to continue to talk about silver and gold. What makes these metals risky investments is that each have their own value, but they trade at the value of the currency, which is largely based on investor whim.

I am sure you were able to pick up on the trend of gold during the most recent economic recession. As the economy begins to collapse, the price of gold skyrockets, then returns to normal levels once the economy stabilizes. Remember that in the stock market, what goes up must come down (in most cases, anyway). In order to profit from high gold prices, investors have to know the right time to sell. If you get the timing right, there is a lot of money to be made.



While precious metal funds are a valuable tool in any investor's arsenal, the percentage of your portfolio comprised by precious metal funds will likely shift depending on the status of the economy and the Stock Market. These funds perform well in bear markets which means they can act as a good temporary safe haven for your investments. Like I alluded to earlier in this online trading comparison

investing in sector funds is all about timing. This is especially true for gold and silver funds. While precious metal funds have their advantages, I suggest only using them when you need to. It all depends on the type of investor you are though. With all of these sector funds, the most important thing is that you are comfortable with your investments and with the amount of risk you are willing to put up with.

## Online Trading Comparison: The Technology Sector

Some people are going to think that I am crazy for devoting so much of my attention to the technology sector. It is typically a ruthless sector that is very unpredictable and very unforgiving to investors.

It is difficult to ignore the historical numbers, which is exactly why I love talking about the tech sector. If you research an online trading comparison of the top performing sectors, you will see that the tech sector is consistently a frontrunner. Did you know that within the first 8 months of last year, investors laid down a staggering \$1 billion into technology funds? If a particular sector is receiving that kind of attention from so many investors, it really should not be ignored.

Despite the fact that the tech sector is still fighting off the reputation it garnered after the tech bubble burst in the early nineties, it is still one of the best bets in town. A lot of tech companies have proven that they have the business models that will provide them with the longevity they need to succeed.

If you are still feeling a little turned off by the tech sector as a whole, you should definitely look into some of the profitable technology funds available to investors. The individual sub sectors of the technology sector are actually very promising for investors.

Software companies, for example, offer some of the best prices for investors and there are also a lot to choose from. Even semiconductors are continuing to be a promising industry for tech investors. Instead of spending your time conducting an online trading comparison of which sub sector to invest in, you can invest in a fund that spreads your money across the whole sector.



Technology funds make it easier for investors to tap into the tech sector. I am sure you remember the demise of tech companies after the dot.com boom. I have never seen anything like that demolish a sector, and like I mentioned earlier, tech stocks never fully recovered. I decided to give the tech sector a spot in this online trading comparison because I can sense a tech resurgence on the horizon.

While the other investors are focused on commodities and currencies I think that it is time to get excited about the increasingly strong performance of the tech sector. The next couple of years should be big, especially as we emerge from the crippling recession. And we all know how the tech sector loves a strong bull market.

Look for volumes to increase in the tech sector. Once the economy stabilizes, consumer confidence will begin to strengthen as people start to purchase big ticket items like televisions and computers again. Keep an eye on companies like Microsoft and Dell too, as previously cash strapped businesses will finally be able to afford to make the technology improvements required to keep their businesses competitive.

## Online Trading Comparison: Conclusion

If there is one thing that you learned from this online trading comparison it is that a diversified portfolio is the key to Stock Market success. Not only does diversification give you exposure to many different sectors, but it also provides your portfolio with the protection you need to thrive under any market condition.

While sector fund investing takes a little more strategic planning than investing in individual stocks and bonds, I feel like it is a trading method that anyone can be successful at. By reading this online trading comparison, you have already taken the first step toward becoming a successful sector fund investor.

When I say that sector fund investing requires more strategy, I mean that some companies have the potential to overlap between different funds. For example, shares of Johnson & Johnson might be available in a large cap fund AND in a biotech fund. Obviously, investing in both of those funds is not the best use of your money.

Just like with any decision about money you make, you should always conduct your own online trading comparison of the details and facts. You can read every piece of material out there on the subject, but the truth is that only you will know what works for your investment plan.

Sector fund investing will give you the opportunity to observe sectors as a whole and buy you a little time to conduct an online trading comparison of individual companies that you target as strong contenders.

While sector fund investing opens up a whole world of opportunities, remember that it is never a good idea to get too comfortable with one particular trading strategy. The most successful investors evolve their methods over time in order to keep up with whatever curveball the Stock Market delivers next.