



Fearless Investors: 2 High-Risk Stocks Worth Buying Right Here

Description

The appetite for speculation is pretty high these days. With many investors turning to momentum plays to make a quick buck, there's a real risk that you could be left holding the bag once the game of greater fools (yes, that's a real theory. No, it has nothing to do with us here the Motley Fool!) comes to an end. Once that happens, it'll be hard to find anyone willing to pay more than you did for the price of an asset that may actually be worth far less once the rampant appetite for speculation is taken out of the equation.

Many new investors seek to maximize their upside potential when they should be looking to maximize their portfolio's overall risk/reward profile. Smart investors, including billionaire greats like Warren Buffett, are not about maximizing returns at any cost. They're all about maximizing their risk-adjusted returns. If you, like Buffett, seek to outperform over the long haul and not just the near term, you must weigh the risks and the rewards, not just the upside potential.

That's not to say you shouldn't invest in [battered](#) deep-value stocks that could have multi-bagger upside potential, though. If you're got the stomach for volatility, the conviction to be proven wrong over the short term, and an investment horizon that spans years, not months, only then could the plays presented in this piece be suitable for you.

Deep-value investing on the TSX

Consider bruised stocks in **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) and **Cineplex** ([TSX:CGX](#)), two beaten-up plays that I think reek of [deep value](#) and may be to the liking of Warren Buffett-style, cigar-butt investors.

Could either name double? If all goes smooth with their recovery trajectories, I think each name could stand to more than double within 18 months. That said, investors may also be in for a world of pain if the 2021 recovery is pushed back or downright cancelled should this pandemic drag on to 2022.

Let's have a closer look at each name to determine if the risk/reward profile is worthwhile or if they're a value trap disguised as a sound deep-value investment.

BlackBerry

BlackBerry is a perennial underperformer that's tough to hold for anyone with a long-term investment horizon and a strong conviction in the name. Prem Watsa has stood by BlackBerry stock for a ridiculously long time, and still, the investment has yet to yield meaningful fruit, as the company has continued to suffer from its fair share of stumbles en route to becoming a serious contender in the enterprise software arena.

Yes, there are a lot of moving parts at BlackBerry that make the stock difficult to evaluate. Multiple acquisitions have only served to make the turnaround play even harder to understand. That said, I think CEO John Chen is worthy of betting on. He's a turnaround artist that knows how to get the job done. The big question is will BlackBerry sustain organic growth sooner? Or could it take another few years of underperformance before the name can really prove itself?

With the latest IVY project and diminishing COVID-19 headwinds in the cards over the medium term, I'd argue that things are finally starting to looking up for BlackBerry stock.

Cineplex

Cineplex is a movie theatre giant that's imploded amid the crisis. Although we have a handful of effective vaccines, it's clear that things have the potential to get far worse before they get any better, with mutated COVID-19 variants that could spark a third wave in Canada.

Fortunately, Cineplex looks to have enough liquidity to weather the storm. It doesn't have the best balance sheet in the world, but I think the stock is worth holding onto before a potential post-pandemic discretionary spending boom that could give major lift to Cineplex stock.

Unless you're willing to see your investment get cut in half over the near term, though, I'd recommend looking elsewhere, as it remains one of the riskier options-like plays on the TSX these days.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:CGX (Cineplex Inc.)

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Date

2025/07/29

Date Created

2021/01/11

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