Forget Celebrity SPACs! Buy Undervalued Growth Stocks Instead

Description

The hype surrounding celebrity Special Purpose Acquisition Companies (SPACs) has been nothing short of remarkable. One has to imagine that ordinary people who don't normally invest in markets are being drawn into such SPAC Initial Public Offerings (IPOs) solely because of endorsements by their favourite celebrities such as rapper Jay Z or professional athletes, including the likes of Colin Kaepernick or Alex Rodriguez.

Not only does investing in SPACs come with more than its fair share of downside risks, with next to nothing in the way of financials for you to analyze, but one could also find themselves holding the bag in a hurry, like with **GameStop** or any other sort of WallStreetBets play.

Charlie Munger isn't a fan of SPACs — and you shouldn't be either

Charlie Munger is no fan of SPACs. He thinks they're a speculative frenzy that will not end well, and he wants to part in it any hyped-up instruments that he views as an "irritating bubble."

In a sit-down at the **Daily Journal** annual meeting, Munger voiced his distaste for SPACs, going as far as saying, "The world would be better off without them."

Undoubtedly, Initial Public Offerings (IPOs), SPACs, meme stocks, cryptocurrencies like Bitcoin and Dogecoin, and other dangerously speculative plays have been hogging the headlines of late. Not only is Charlie Munger not participating in the speculation of said instruments, but he's growing increasingly irritated by the topic of discussion.

The SEC issues investor alert over celebrity SPACs

More recently, the U.S. SEC issued a dire investor alert on Wednesday over celebrity SPACs, urging people to be cautious when following celebrities into such investments.

“Celebrities, like anyone else, can be lured into participating in a risky investment or may be better able to sustain the risk of loss,” wrote the SEC.

“It is never a good idea to invest in a SPAC just because someone famous sponsors or invests in it or says it is a good investment.”

Unfortunately, many die-hard fans of any given celebrity will ignore such advice, and that’s a real shame. If you managed to steer clear of the hype surrounding such SPACs, then you deserve a pat on the back. Charlie Munger and the SEC are looking out for retail investors who may be in a vulnerable spot, with the continued rise of speculative investments that promise considerable upside potential.

The desire to get rich quickly is strong

Everybody wants to strike it rich in the shortest time possible. It’s an impossible feat for those who don’t want to risk their shirts. We Fools are all about the long-term and remain focused on growing one’s wealth over the decades. That’s why those itching to strike it rich should stick with undervalued stocks.

Following the recent sell-off in the tech sector, I view ample bargains in the tech space for investors who want to make money over the long haul. Beaten-down shares of **Kinaxis** (down over 41% from highs) are one of my favourite contrarian bets in the tech scene right now.

While the supply chain Software as a Service provider is under considerable pressure over rapidly-rising 10-year Treasury yields, I’d argue that the name is a far wiser choice for “fearless” investors who would have otherwise put the money on some celebrity SPAC.

When it comes to celebrity SPACs — which I view as a mystery box of who knows what — I think it’s impossible to put in the due diligence required to achieve good risk-adjusted returns over time.

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