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Two good articles (general/informative/balanced) on two of the hottest topics in the Market over the last year. SPACs and EVs. h/t @CatanaCapital ■

1■ What are SPACs and should you invest in them?
https://t.co/HGz7sDv52Y

$SPCE $IPOE $CCIV ..

Watch out for ■

Risks of investing in SPACs

SPACs need to be treated on a case-by-case basis. While some SPACs have performed well for investors, performance has on average been poor. Besides the **investment warning signs** that apply to all **speculative** investments, you can **reduce portfolio risk** by considering the following.

- The fact that a SPAC's lead investor has a good track record does not guarantee they will make a **good investment**. When a deal is announced, you should do your own research and pay attention to how much your shares will be diluted by additional funding rounds.
- SPACs do not offer the diversification of **investment funds**, so they should have a relatively small position in the **asset allocation** mix.
- The share price of SPACs often follows a similar pattern. The price tends to spike when rumors of a deal begin to circulate, when the merger is announced, and when the merger takes place – but drops after each event. Your risk increases dramatically if you invest during these spikes.
- A SPAC typically has a two-year window to complete a deal. It's worth being extremely cautious of deals announced in the last three months of this period. This is when deals are likely to be rushed, as may have been the case with Nikola Motors. Sponsors lose out when no deal is announced, so they have an incentive to do a deal, even if it's not a good deal.

Conclusion: Are SPACs worth investing in?

SPACs have given retail investors the opportunity to invest in several companies at attractive prices. But they do come with risks and dilution remains an issue. The good news is that the industry is evolving quickly, and the structure of SPACs is improving. With lots of private companies looking to go public, its likely that SPACs will remain a feature of the investment landscape.

2■ EV Stocks – There is more to the electronic vehicles market than Tesla, BYD & NIO..

https://t.co/96PFrJMLdw

$TSLA $BYDDF $NIO $CCIV $XPEV $LI $PLUG $BLNK $LAZR $BIDU ...

Important to balance the opportunity set, risk Management, position sizing.■

Pros of investing in EV stocks

EV stocks have several tailwinds that should support stock prices over the long term. The electric vehicles industry is one of the major **investing megatrends of the current decade**. It also ties into two other megatrends – renewable energy and automation. EV investors are set to benefit from policy changes over the next 20 years as governments work to reduce carbon emissions. Besides tax credits that give EV makers an advantage, cars with combustion engines are likely to be heavily taxed in the future.

The growing **ESG investing** trend on Wall Street means there will be no shortage of capital following to the sector either. For investors, the biggest challenge of investing in EV stocks is their stretched **valuations**. The majority of listed EV manufacturers have no revenue. Meanwhile those that do, have extremely low margins. Putting a value on an EV stock really amount to **speculating**. On the other hand, no one wants to miss out, so stocks tend to trade on very high valuations.

The other challenge is working out how pureplay EV companies will perform relative to the large industry players that are now pursuing the EV market aggressively. These companies have capital, resources, and distributions channels with which to compete. Pureplay EV stocks offer more upside but carry considerable risk.

Risk management with EV stocks

It's important to remember that most EV stocks are highly speculative investments. In many cases, current valuations reflect best case scenarios. Yet, the reality is that manufacturing electronic vehicles poses considerable challenges. As is always the case with speculative investments, the only way to manage **portfolio risk** is by keeping initial positions small. Investments that turn out to be **multibagger stocks** will grow into large positions on their own.

As far as **stock picking** is concerned, the safer stocks often belong to the companies that supply the industry, rather than the EV makers themselves. In the case of electric vehicles, this includes the companies that make batteries and semiconductors, those that manage charging networks and those that supply raw materials like lithium.

Conclusion: Investing in EV stocks

The good news for investors is that the electronic vehicle industry is still young and there is a lot of growth ahead. Some of the best **growth stocks** of the next decade will no doubt belong to the industry. The challenge will be avoiding the temptation to chase prices too soon – there are bound to be several good opportunities to buy EV stocks in the future.