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## What the Heck are NFTs and SPACs?

Hello loyal readership! The first quarter has come to a close and there is excitement in the air. Warmer weather, more and more people getting vaccinated, and hopefully an end to this pandemic! Personally, I can't wait to get out to a ball game, enjoy restaurants without worry, and go to a music concert soon! And as always with the markets, it has been a fascinating first quarter.

When it comes to market buzz, a lot of people have been talking about some recent investment speculative fads that we have not seen before. A lot of this is driven by so much money flooding our system due to low interest rates, businesses with PPP dollars and private loans, individuals with stimulus checks etc. Some people are investing in things like real estate, stocks, private equity and many of these things are doing really, but also a lot of money is flooding into less traditional and more speculative assets like SPACs, NFTs, and stocks like Gamestop and AMC.

If you hadn't really heard of these things before, you are not alone. NFTs stand for Non-Fungible Tokens and really came out of nowhere. Non-Fungible means unique and original and it represents something that is documented digitally on the blockchain. For example, forget an original 1930's Babe Ruth baseball card, today you can be the original owner of an online video of LeBron James dunking a basketball (something which he has done thousands of times)– in which he recently sold one of these for \$200,000! Or Kings of Leon, a rock band sold one of their original albums for \$2M! Despite anyone being able to go online and see this same video or listen to this same album, someone out there who bought this knows they are the "original" owner of these things.

My personal belief is that this is a fad and speculative bubble, and that this will be similar to the investments made in the art world. There are millions of pieces of

art out there and 99% of it is worth nearly nothing, but 1% of pieces of art is worth a fortune. I believe we will see the same thing with NFTs – most will be worthless, but some will retain large value.

Another big speculative fad investment trend has been SPACs – which stands for Special Purpose Acquisition Company. These have actually been around a long time – someone sets up a company that does nothing and owns nothing but raises money and goes buys companies with it and then goes public. There is nothing wrong with this, but many are celebrity driven or athlete driven and someone famous starts raising money and says and oh by the way I will take a 20% haircut of the money on this just for raising the money. There is very little downside to the celebrity as they can make a lot of money from this but a lot of newer or inexperienced investors may feel like they are getting involved in something special, that it may be an easy way to get wealthy, but this also will be more like a casino and most people will make nothing.

So, if you hear someone talking about these at the next cocktail party you attend, feel free to listen to them and nod, but laugh a little bit inside and know that if you are NOT participating in these, you are more likely going to do better in the long term. I know it is not as exciting, but as we have said many times in these articles the winners will be the those who own a diversified portfolio of different asset classes and that have a plan for the long term, not the newest speculative fad.

Don't listen to the fad investment advice, but stay for the cocktails! Cheers. 🍷

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