2 Top Technology Stocks to Add Growth in Your Portfolio

Description

Is it OK to add a little bit growth to your retirement portfolio?

Technically speaking, pursuing this strategy means that you're willing to take more risk by going after names which have the potential to grow their sales and income. If things work out, you're likely to be rewarded massively in capital gains.

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But for most income investors, buying dividend-paying companies is a simple thing to do. In the past, quality dividend-paying companies have tended to outperform those with no yields over the long-run. But an income strategy which only focuses on dividend has its shortcoming too.

When interest rates go up, dividend stocks tend to underperform the market. The reason is that investors shift their money to low-risk government securities, such as bonds and GICs, as their returns improve with the rising interest rates.

That's why you're seeing Canadian dividend paying stocks – banks, REITs and utilities — retreating since the Bank of Canada ended its rate-cutting cycle and raised the benchmark interest rates for the first time in seven years.

For a retirement portfolio, there is no point in abandoning dividend paying stocks because they're your bread and butter. However, adding some quality growth stocks in your portfolio could boost diversification and help you beat the pace inflation.

Adding growth to your portfolio doesn't mean that you go after high-risk, untested businesses. In the Canadian market, there are some opportunities you can cash in on.

2 top technology stocks

Let's talk about the tech darling, **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP). Its explosive growth over the past five years has shown us the strength and global demand for its e-commerce platform. From a meager US$50 million in 2013, its revenues have grown to US$389 million last year.

Should Shopify belong to your retirement portfolio? I think it should because this company has a clear competitive advantage over its peers, and it appears capable of generating strong, solid returns and cash flow over the long-run.

If you're looking for innovative companies with competitive advantages and solid management, then **Constellation Software Inc.** (TSX: CSU), the Toronto-based tech company, should be next on your list.

This business has one of the fastest-growing total returns in Canada. If US$10,000 invested in 2007, they would have grown to ~US$375,000 by the end of 2016, generating 3,650% total return in 9 years.

The point I wanted to make here is that you should also seek growth opportunities while focusing on the yield. Good names that grow earnings with a potential of future dividends can super charge your portfolio by the time you enter in your golden age.

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1. Dividend Stocks
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2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

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