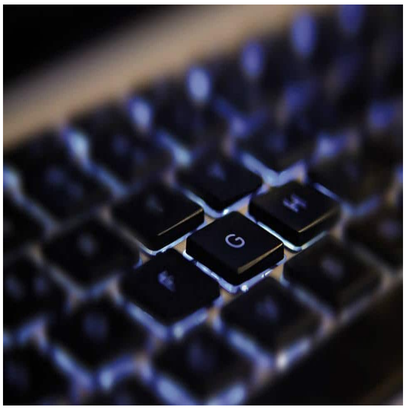

Tech Stocks Are Still Core Investments to Beat the Market

Description

The tech space has been one of the best places to invest and beat the market for the last few years. Yet the recent dips in certain tech stocks might have investors wondering if they should keep the stocks as core holdings or take profits before the stocks potentially go lower.

Facebook, Inc. (NASDAQ:FB) stock has been battered down to as low as $150 per share recently, a drop of ~21% from its high. Because Facebook is a huge company, it's especially susceptible to headline risk. The latest of which had to do with media reports exposing that the company allowed Cambridge Analytica, a political consulting firm, access private information on up to 50 million Facebook users back in 2014, which was later used to influence voter behaviour in the U.S. election.

Since the drop, Facebook has recovered ~6% to ~$159 per share, but it is still trading at its lowest valuation since it was listed as a public company. Right now, it's trading at a price-to-earnings (P/E) ratio of ~24.7, or a forward P/E ratio of ~21.8, while analysts forecast the social media company will grow its earnings per share by ~25% per year for the next three to five years. So, this is a great entry point for investors to buy Facebook if they believe this issue will pass.

Surely, there's always the possibility that Facebook stock can drop lower, perhaps below $140 per share. So, cautious investors can buy some here and save some cash to buy more if the market offers a better buying opportunity.

Other great tech stocks

Investors looking for other exposure in the tech space can consider blue-chip companies, such as **Microsoft Corporation** (NASDAQ:MSFT) and **CGI Group Inc.** (TSX:GIB.A)(NYSE:GIB).

Microsoft still has lots of runway to grow for its cloud-based services. The stock dipped to nearly $87 per share recently but quickly recovered to above $92 per share, which shows its price persistence. The stock trades at a P/E ratio of ~25.8, while analysts estimate the tech giant will grow its earnings per share by ~11% per year for the next three to five years.

Investors should note Microsoft's AAA-rated balance sheet. Long-term investors may find it worthwhile to begin scaling in to quality Microsoft at the current valuation and add more, say, in the low $80s.

We don't necessarily need to source from the NASDAQ for great tech stocks. CGI Group is one that has performed time and time again. The homegrown IT consulting firm has delivered returns on equity (ROE) of at least ~12% every year since 2008 except for one year. Its most recent ROE was ~16%.

The only downside is that the stock looks, at best, fairly valued right now at under $74 per share. If the company continues to deliver, the stock should grind higher. However, cautious investors should look for an entry point with a bigger margin of safety.

Investor takeaway

Quality tech stocks, such as Facebook, Microsoft, and CGI Group, are still great places to be for long-term growth, returns, and a good chance to beat the market. For investors who are looking to buy today, Facebook offers the best value for the buck.

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3. Tech Stocks

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2. NASDAQ:MSFT (Microsoft Corporation)
3. NYSE:GIB (CGI Group Inc.)

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