

5 Small-Cap Conviction Stocks to Buy Now

Description

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) put out its quarterly Small-Cap Conviction List, a group of 20 small-cap stocks it feels will outperform over the next 12 months.

Well, for one thing, they tend to be followed by fewer analysts, money managers, and retail investors, which means they tend to move higher when good news comes out. Of course, that is a double-edged sword with lousy news having the reverse effect, sending them lower.

That's why it's helpful to have a list like RBC's to cut to the chase a little bit.

Since 2013, its list has delivered a total return of 125% — significantly higher than the 44% of the S&P/TSX Small-Cap Index Total Return and 58% total return for the TSX Composite Index.

Here are the five stocks I believe are the cream of the small-cap crop. Year to date through July 9, they've averaged a total return of 10.2%.

Over the next week, I'll cover each of them in more detail.

Cargojet Inc. ([TSX:CJT](#)) not only made the bank's small-cap conviction list, but the [air cargo](#) company also got on to RBC Dominion Securities's "Imagine 2025" list, a group of 69 stock recommendations — one of only 12 Canadian companies — that will benefit from changing technology over the next seven years, leading to superior returns.

Enercare Inc. ([TSX:ECI](#)) operates several businesses, but its largest — Home Services — provides water heater rentals to 1.1 million customers in Canada and the U.S. It has excellent recurring revenue from renters who shell out more than \$24 a month to be able to have a hot shower.

Kinaxis Inc. ([TSX:KXS](#)) is an Ottawa-based company that provides logistics and supply-chain software via monthly subscription over the cloud to large and mid-sized companies in need of its industry-leading software. It's a comer.

Tricon Capital Group Inc. ([TSX:TCN](#)) is a real estate investment manager based in Toronto that invests in commercial and residential real estate, including the burgeoning single-family residential rental market in the U.S. It invests alongside its asset management clients, so it's got real skin in the game. It's one of my [favourite TSX stocks](#); I could go on forever about its business.

Great Canadian Gaming Corp. ([TSX:GC](#)) was a good stock to own entering 2017. After the 18 months it's had since then, it's fair to say it's now a great company with major GTA casino projects to keep it busy for years to come. One of two exciting Canadian gambling stocks, investors have a real opportunity for gains over the next three to five years.

CATEGORY

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3. TSX:KXS (Kinaxis Inc.)
4. TSX:RY (Royal Bank of Canada)
5. TSX:TCN (Tricon Residential Inc.)

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Date

2025/09/11

Date Created

2018/07/11

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