2 Market-Beating Growth Stocks to Buy in August

Description

If you're in the stock market to build wealth, there are many strategies you can follow. If your risk-appetite is limited, then you should stick with income-producing stocks that don't produce hefty capital appreciation, but offer regular income.

If your investing aim is to earn large capital gains in a short time span, then investing in growth stocks is your best bet. Growth investing requires buying the right stocks that are expanding their business fast, thereby commanding a great competitive advantage in their respective industries.

Keeping this theme in mind, here are two growth stocks from Canada that belong to various industries and offer unique growth opportunities.

Shopify Inc.

It's tough to ignore Shopify Inc.(TSX:SHOP)(NYSE:SHOP), an e-commerce platform provider, when you look for growth opportunities in Canada. The Ottawa-based company that helps small businesses set up and manage their online stores has seen an explosive growth in the size of its customers globally.

The platform, which also provides merchants with a back-office and a single view of their business, powers over 600,000 businesses in 175 countries and is used by brands such as Red Bull and Nestle.

That high-octane growth has delivered stunning returns to its investors. Shopify's share price has surged 460% in the past five years and 48% this year, beating many high-flying technology names. But good history doesn't guarantee the future performance. If you plan to invest in Shopify today, you need to make an educated guess if the company hasn't reached its peak.

For Shopify, I don't think that time has arrived yet. With the e-commerce expanding globally, small, and medium-sized businesses have no choice but to open their online stores. In this space, Shopify has a huge competitive advantage with its simple, cheap, and user-friendly solutions.

Canadian National Railway

If you don’t want to pursue a risky approach and a decent amount of capital appreciation works for you, then you should consider Canadian National Railway (TSX:CNR)(NYSE:CNI) stock. The company has a wide economic moat, a term coined by Warren Buffett to describe companies with a durable competitive advantage over their rivals.

This North-American transportation giant runs a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico.

This unique position in the region’s economy helps CN Rail to deliver consistently high returns that beat the market. During the past five years, its stock has produced 55% returns, including dividends. That compares with just 7% gain in the benchmark **S&P/TSX Composite Index**.

With strong growth potential, CN Rail is also a solid dividend stock. The company has paid uninterrupted dividends since going public in the late 1990s.

The bottom line

Investing in growth stocks is a risky approach, but if you are able to identify the right companies early and have the power to hold on to your investments, then it’s normal to see returns in double or even triple digits.

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Date
2025/07/04
Date Created
2018/08/13
Author
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