



## This Perennial Outperformer Will Profit Profoundly From Canada's Coming Tech Boom!

### Description

Who says Canada can't innovate? **Shopify** is a home-grown success story that shows what Canada is capable of when it comes to the technology sector. There's no shortage of talent on this side of the border. And over the next few years, as more startups begin to emerge (with help from the government), Canada could realistically evolve into a nation that's one of the most sought-after tech incubators in the world — the Silicon Valley of the north, if you will.

Today, almost all the hottest next-gen tech is heavily concentrated within the Silicon Valley region, but as globalization continues to take off, we're going to see tech hubs pop up in hot spots all across the globe. We've already seen evidence of this with some Silicon Valley talents making the move over to China, where its tech scene is impressive enough to give Silicon Valley a good run for its money.

Foreign "labour-rich" countries (India, China, and Canada) that were once "cheaper" outlets for U.S. companies are beginning to put their promising talent pools to work in domestic startups. And that's resulted in local tech firms that'll stand to bolster a firm's country's domestic GDP at the expense of a U.S. firm, who would have benefited from the outsourcing IT tasks to inexpensive tech talent.

Access to cheap tech talent is a great way for U.S. tech firms to slash R&D expenses, but with domestic firms having their crack at creating their own tech, the price of foreign tech talent is going to soar, potentially approaching a level that matches that of Silicon Valley. Add government subsidies that aim to foster innovation into the equation, as well as the blocking of foreign takeover or investment, and you've got the perfect formula for an innovation boom that'll profoundly enrich many domestic economies.

Here in Canada, Justin Trudeau realizes that Canadian-grown tech is essential, and he's willing to funnel money into the sector to foster innovation that'll stand to create tonnes of sustainable jobs over the long term without reliance on our neighbours south of the border. The smart tech talent is already here; we just need domestic companies to hire them at competitive rates, and Trudeau's plan, I believe, will spark a tech hub full of promising up-and-coming companies just like Shopify.

I think we're at the beginning of an era where Canada will become not just an economy based the extraction of natural resources, but a country where technology will grow to contribute a significant chunk of overall GDP.

So, instead of heading south for U.S. tech firms, Canadian investors may find it worthwhile to have a glimpse at the promising talent that's on this side of the border. Consider a promising name like [Constellation Software \(TSX:CSU\)](#), an established diversified software company with a \$20 billion market cap that's comparable to Shopify.

Unlike Shopify, however, Constellation has been a less choppy ride up over the last five years, as the stock returned a whopping 427% to investors. The three-year beta for the stock is negative at -0.16, meaning it's got an inverse correlation to the TSX. Moreover, the most recent 18.2% plunge was a rare anomaly (and buying opportunity) for what's been a pretty [smooth smart beta momentum play](#) when you zoom out and look at the long-term chart.

Constellation is in the business of acquiring promising software startups and hanging on to them for the long haul, providing a "tech incubator" environment where its acquired companies can grow and thrive. Although annual revenue growth of 14-20% is nowhere near that of Shopify, you're getting a higher degree of stability and padded volatility come the next volatile event.

### **Foolish takeaway**

If your portfolio needs tech jolt, consider some well-established domestic players like Constellation Software. And keep an eye on hot up-and-coming Canadian tech stocks as they begin to create a name for themselves, as Shopify and Constellation Software have. If you're bullish on the future of Canadian tech, Constellation is a must-own.

Stay hungry. Stay Foolish.

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## Date

2025/08/25

## Date Created

2018/09/27

## Author

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