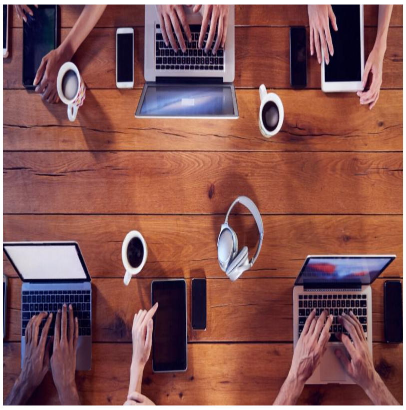

Forget FANG Stocks! Add Canada's "DOCKS" to Your TFSA

Description

The **S&P 500 index** crossed 3,000 for the first time this month. The comprehensive index is widely considered a benchmark for the American economy, and it is up over 50% since 2014. Much of that gain can be attributed to one essential sector: technology.

Large-scale technology stocks, including **Facebook**, **Amazon**, **Netflix**, and Google (**Alphabet**) — the so-called FANGs — have been largely responsible for this growth spurt. It's a clear indication that investors should look to cutting-edge technology as the last saviour of economic growth and market outperformance.

Fortunately for Canadian investors, there's a basket of local counterparts that dominate the domestic technology sector and could promise similar (if not better) long-term returns for your Tax-Free Savings Account (TFSA).

Descartes, Open Text (TSX:OTEX)(NASDAQ:OTEX), **Constellation Software** (TSX:CSU), **Kinaxis,** and **Shopify** — the so-called DOCKS — are the biggest and most promising Canadian tech stocks at the moment. Here's a closer look at two of my favourites.

Open Text

Open Text seems to consistently punch above its weight and deliver stellar results for its expanding base of customers and investors. If you invested $100 in the stock 10 years ago, you'd have $6,000 right now. Not to mention the fact that OTEX is also a consistent dividend payer, currently yielding 1.64%.

Although "enterprise content management" and "cloud infrastructure" are not exactly thrilling phrases, investors should consider the fact that Open Text is currently one of the top performers in an industry that could be worth $100 billion, according to its own estimates.

The company's recent partnership with Google for cloud integration and its ongoing investments in its artificial intelligence project known as Magellan are clear indicators of competitive advantages. However, the stock currently trades at 55.4 annual earnings and seems to have already priced all this optimism in.

Constellation Software

Constellation isn't exactly a technology company. I would consider it a technology investment vehicle that holds a diversified portfolio of niche software makers. That's not necessarily bad, as long-term shareholders of CSU will tell you. They've enjoyed a 3500% return over 10 years.

What makes Constellation one of my preferred tech stocks is the fact that a sudden economic downturn and lower valuations seem to work in the company's favour. The company has enough firepower ($717 million in cash) to deploy aggressively and acquire some attractive small firms when (or if) the next crisis hits.

The low dividend yield (0.42%) may be a deal breaker for some investors, but I actually believe the company shouldn't pay a dividend at all. The management team are undoubtedly better investors than me and they should retain more of the company's earnings to drive performance.

The stock price currently trades at 26 times free cash flow adjusted for leverage, which seems reasonable to me.

Bottom line

America's technology sector has created immense wealth for investors over the past few decades. There's no reason to believe that model can't be successfully replicated here. Canadian investors should add some of these top tech stocks to spruce up their TFSA's performance over the long term.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

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