TFSA Investors: Learn From the 3 Best-Performing Stocks of 2019

Description

As we head toward the last few months of 2019, I'd like to take a look back at some of the best-performing stocks this year. Usually, the fastest-growing wealth creators indicate an emerging trend in the economy that I can follow to pick stocks and make investment decisions going forward.

With that in mind, here are some key lessons I learned from the top three best-performing stocks in 2019.

The immense value of medical breakthroughs

Developing a new medical treatment is prohibitively expensive and ludicrously risky. Companies spend billions of dollars every year in an attempt to develop a new drug or a new treatment for a pervasive illness, but 80% of them never make it to market. The tiny fraction that do could unlock tremendous wealth for the company and its shareholders.

That's precisely what happened to Laval-based **Bellus Health** (TSX:BLU), which is up a jaw-dropping 140% since the start of the year. The Bellus team announced that the results of early trials on its four potential treatments for chronic cough — P2X3 inhibitors, NK1 antagonists, TRP channel modulators, and ?7 nAChR agonists — have been more than encouraging.

The company's flagship program, BLU-593, is now in its second phase of trials, with results expected next year. According to the team, there are over 2.7 million people suffering from chronic cough in the United States alone, with millions more across the world. The potential market for an effective treatment could therefore be extremely lucrative.

I don't usually recommend investing in medical research or biotech stocks, but Bellus demonstrates the potential rewards for investors with a deeper understanding of this complex industry.

Buyout bonanza

WestJet Airlines soared 71.4% year to date, primarily because it's being acquired by investment giant **Onex Corporation**

. Onex's offer of $31 per share was 67% higher than the stock's market price a day before the announcement.

It's impossible to predict these mega-deals with any certainty, but I tend to believe that the best buyouts occur when a company fits a strategic need for a larger institution and is trading for a fair value.

Most buyouts I've experienced have been excellent catalysts that have unlocked immense value. My takeaway is that a value-oriented strategy eventually pays out, even if the underlying company is seemingly doomed or hopelessly boring.

Amazon's nightmare

Of all the stocks mentioned on this list, **Shopify** (TSX:SHOP)(NYSE:SHOP) is the one I would most likely buy. The reason is simple: I think it still has plenty of room left to grow, despite its stellar performance this year.

Shopify's stock is up 174% since the start of 2019, making it one of the largest and best-performing companies in the country this year. The company's valuation surged past industry heavyweights such as **eBay** and **Square** this year, making it a credible rival to **Amazon** in a niche segment of the e-commerce market.

Shopify's core strengths, such as its merchant network and upcoming fulfillment centres, give it a competitive edge over rivals –core assets that make it an excellent investment opportunity for retail investors or even a buyout target for Amazon's largest victims.

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2. TSX:BLU (Bellus Health)
3. TSX:SHOP (Shopify Inc.)

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