



TFSA Investors: Forget Penny Stocks and Buy This High-Growth Stock Instead

Description

Stocks have been moving together based on macro events of late. So, does it still make sense to look to individual companies themselves if all other investors give little consideration for things going on at the company-specific level?

Of course it does, even though it may not seem like it over the near term. The stock market has been erratic thanks to trade wars, and while higher levels of volatility are undesired, the degree of market inefficiency that's been exhibited of late is sought after by stock pickers who are willing to go on the hunt for unfairly beaten-up bargains have been collectively [tossed aside](#) thanks to short-term news that'll be meaningless in the grander scheme of things.

If you're looking for stocks that are immune to trade wars, Trump tweets, and all the sort, look to a stock like **Constellation Software** ([TSX:CSU](#)), a Steady Eddie growth king that's continuing to raise the bar, making new all-time highs on a regular basis.

The stock has rocketed 380% over the last five years, and as the economy grinds to a halt, Constellation is a name that you can feel comfortable owning at the core of your TFSA. Indeed, the company-specific fundamentals still matter, even when Mr. Market is having great difficulty pricing stocks on the daily.

For those unfamiliar with the company, it's essentially a scaled-up version of a venture capital firm. The company seeks to acquire software startups and small-cap companies with the intention of holding them for extended periods of time. Constellation has found a model that's allowed shareholders to enjoy [outsized returns](#) sustainably over time — the holy grail of investing.

While Constellation is now a behemoth of a company that's closing in on a \$30 billion market cap, the company is still capable of posting market-crushing returns thanks to its intelligent managers that continue to find opportunities within the small-cap universe to pay a dime to get a dollar. As long as management still has the magic touch, the company will keep outperforming in spite of its size.

Over the last three years, the company has averaged 18.5% and 28.9% in revenue and net income growth, respectively. For those interested in getting an edge through penny stocks, look to

Constellation instead, management can likely do a far better job than you at spotting opportunities in the micro- to small-cap pool and mitigating their higher expected risks.

Moreover, Constellation can patrol the private equity space for opportunities that most retail investors have never heard of. Rather than starting your own penny-stock fund, think about buying and holding Constellation for decades at a time.

Stay hungry. Stay Foolish.

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Date

2025/08/15

Date Created

2019/09/05

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