Which Healthcare Stocks Should You Buy for RRSP Growth?

Description

When investing for retirement, it makes sense to buy solid, dependable stocks in classically defensive sectors. That's why we'll start the week by taking a look at one of the most defensive areas of investment out there: healthcare.

The following three stocks are notable in that they dominate their own niche sectors and have also seen their share prices rocket over the last three years. However, one is a buy, one is a bust, and the other is a key CBD wellness company, so let's pick over the data.

With great risk comes great fiscal responsibility

Now more than ever, retiring healthcare investors should be looking to pad out an RRSP or other retirement-focused stock portfolio with businesses experiencing strong and defendable capital appreciation.

The Quebec-based healthcare company **Theratechnologies** has seen its share price rocket by 161% over the last three years. The main reason to buy is the wide moat that surrounds Theratechnologies. The company specializes in bringing therapies to market that are unmet by rival companies. The prime target is orphan diseases — in other words, conditions affecting fewer than 200,000 patients.

As an investor in bio start-ups or niche pharma businesses will know, cornering a sector by providing essential solutions to untreatable or niche diseases is a strong defensive play. Theratechnologies is exactly this kind of specialty company, notably developing treatments for patients living with the effects of HIV. Investors have recognized these defensive qualities, driving up the company's share price.

One high flier to avoid and one to buy

Based in Alberta, the cutting-edge biotechnology company **Resverlogix** has enjoyed a 174% share price boost since 2016. Late-stage clinical testing of niche treatments is Resverlogix's area of growth, with a compound called apabetalone aimed at the cardiovascular disease market attracting investors' attention.

However, by a cruel twist of fate, the recent announcement of Resverlogix's place on the TSX30 was followed almost immediately by news that its therapy, BETonMACE, had not met expectations. Investors ditched the pharma company when it transpired that the drug failed to reduce certain key cardiovascular events. The stock dropped almost 70% as a result.

Investors looking for a safer bet, and one that taps directly into the high growth offered by the cannabis industry should perhaps consider instead another TSX30 mover and shaker, **Neptune Wellness Solutions**. Another company based in Quebec, Neptune has seen its share price soar by 322%, making it a key target for capital gains investors.

Neptune's stock-in-trade is the development of cannabis treatments. Other key areas of business include *ad hoc* wellness solutions and the preparation of purified ingredients for specialized areas of nutrition. While some investors may hesitate to include CBD stocks in the healthcare bracket, there is some clear crossover in the medical marijuana sector.

The bottom line

Adding high-return healthcare stocks to an RRSP can be a risky business. Late-stage clinical trials are hot properties to watch, though tried-and-tested products are stronger plays. Indeed, while past performance can often be a good indicator, it's not always enough — as the Resverlogix example shows. Retirement investors seeking strong pharma growth should also consider stashing cannabis stocks such as Neptune.

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