



REVEALED: How to Profit From the Venture Capital Market the Easy Way

Description

The field of Venture Capital (VC) is pretty exciting. You hear about the stories where millionaires are minted because of investments in private market entities that grow to make noise on the IPO market.

While the multi-bagger potential returns are attractive, it's tough for retail investors to get in on the action without the proper connections. And without millions of dollars in capital to begin with, it can be hard to get a foot in the door as an aspiring venture capitalist.

Fortunately, there is a way for everyday investors to profit profoundly from the outsized returns to be had from the world of VC. And no, I'm not talking about penny stocks that trade in the depths of the **TSX Venture Exchange!**

I'm talking about a blue-chip darling named **Constellation Software** ([TSX:CSU](#)) that's been providing outsized returns (shares have soared 310% over the last five years) to Canadians for many years through effective investments in early-stage, emerging tech firms made by competent managers who have a knack for spotting the next big thing where few others care to look.

With a market cap of \$27.7 billion, you'd think that it'd be challenging to sustain nearly 30% in annualized net income growth. Thanks to the exceptional stewards who know how to spot opportunities in the depths of the micro- and small-cap software market, it's possible to get mid-cap growth numbers with a large-cap company.

Moreover, acquiring firms in vertical market software allows Constellation to better diversify its holdings while maintaining a high growth ceiling as up-and-coming subsidiaries look to dominate their respective niche markets.

Constellation has a proven growth strategy, and the proof is indeed in the pudding.

Despite the impressive track record, the company has its fair share of skeptics, including fellow Fool Aditya Raghunath who seems to think the name is [a stock to sell before the next market crash](#).

Aditya notes that analysts are bearish on the name and that Constellation trades at a rich multiple and

is vulnerable come the next market-wide meltdown.

While there's no denying that Constellation will be vulnerable along with most other high-growth stocks, I do see Constellation as one of the few firms that will come out of the next economic downturn on top, as it looks to acquire firms that struggle in a slump at a likely sizeable discount. Constellation has deep pockets and a healthy balance sheet, leaving it a lot of room to better itself come the next recession.

Moreover, as a VC-like firm, the stock has a low correlation to the broader markets with a 0.8 beta, so it's also probable that Constellation could hold up a lot better than many of its peers in the space.

As to the valuation, you've got to pay a premium to get premium growth. So, I don't see Constellation as a name to dump if you think [the markets are going to crash](#). As you can see from the longer-term chart, it's hard to see where the last recession was, as last decade's gains have dwarfed the short-lived drop in the stock.

My takeaway?

Constellation is a long-term hold. Own it for the next decade and beyond, and you'll likely be pleased with your results, even if a recession were to be thrown in the mix.

Stay hungry. Stay Foolish.

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