



## RRSP Investors: Add These 2 Tech Stocks to Your Retirement Portfolio

### Description

The 2019 registered retirement savings plan (RRSP) [contribution deadline](#) (March 2, 2020) is fast approaching. Typically, RRSP accounts are more defensive in nature as they are intended to support investors through retirement.

Fewer risks are taken, and they are littered with blue-chip and income-paying stocks. One area that is woefully under-represented is the technology sector. The reason for this is simple: Canada's technology industry accounts for only 5.2% of the **TSX Index**.

Although technology is often seen as being vulnerable to a bear market due to sky high valuations, there are several tech companies that are trading at respectable levels. Case in point: **Open Text** ([TSX:OTEX](#)) and **Constellation Software** ([TSX:CSU](#)).

These companies are well positioned to not only outperform the broader market should this bull market continue, but also to outperform their peers in the event of a bear market.

### Open Text

With a market cap of \$16.7 billion, this software company is one of the largest technology stocks on the TSX Index. Although Open Text hasn't returned some of the multiples of its higher-flying peers, it has still crushed the TSX Index.

Over the past five years, it has returned 70.68% versus the mere 17.05% posted by the **S&P/TSX Composite Index**. Over the past 10 years, the outperformance is even more staggering: 392% to 58.84%.

Although Open Text is a serial acquirer, the pace of acquisitions has slowed as of late — until the recently completed purchase of leading cyber-security firm Carbonite. The deal is expected to be accretive in a meaningful way beginning in 2021.

As of writing, Open Text is trading at only 16.34 times forward earnings, making it one of the cheapest tech stocks on the TSX Index. The average tech company is trading near 45 times forward earnings.

Finally, the company is also one of only three tech stocks to have achieved Canadian Dividend Aristocrat status. It has a seven-year dividend growth streak and is averaging 15% dividend growth over this period.

Open Text is one of the few tech companies that offer growth and income at a reasonable value.

## Constellation Software

Constellation Software is also another serial acquirer. Where it differs however, is that this software company tends to specialize in making a multitude of smaller tuck-in acquisitions. Management is one of the most secretive to the point where it has done away with quarterly conference calls.

Although this may scare off some investors, management has one of the [best track records](#) in the industry. As a result, Constellation has been one of the best-performing stocks of the past decade.

Over the past five years, it has returned almost 300% and over the past 10 years, shareholders have enjoyed gains of 3,620%. Had you spent \$10,000 on the stock 10 years ago, it would be worth approximately \$370,000 today.

The company does pay a modest dividend, but the 0.36% yield isn't likely to attract many income investors. While this isn't a stock one would buy for the dividend, its impressive growth rates are attractive.

Over the past five years, the company has averaged 16% annual earnings growth. The expectation is much of the same moving forward. Analysts expect 15% average annual earnings growth over the next five years.

Trading at 30 times forward earnings, Constellations isn't a screaming buy on valuations. However, as we've seen, this is still much cheaper than the industry average.

Similarly, Constellation's premium is deserved, as it has a management team that has proven to be one of the best in the business.

## Foolish takeaway

Adding tech exposure to an RRSP portfolio can boost returns in a meaningful way. Investors also don't have to take big risks: Open Text and Constellation Software are two of the better run and less risky play in the industry.

Neither are trading at astronomical valuations and both have a reliable track record of growth.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

## **TICKERS GLOBAL**

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:OTEX (Open Text Corporation)

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