TFSA Investors: Turn $69,500 Into $220,000 by 2030

Description

The global equity markets remain in a state of turmoil. The COVID-19 pandemic continues to weigh heavily on investor sentiment, and for good reason. Consumer spending is expected to decline significantly, as people around the globe self-quarantine and isolate themselves.

The global GDP may take a massive hit, and this decline may exceed the one experienced back in 2008. Analysts predict the coronavirus to be a near-term headwind, but its repercussions can plunge the economy into a recession.

Several industries, such as tourism, airlines, and energy, have experienced a massive decline in demand, and many other businesses may follow suit. This uncertainty has driven indexes 30% below record highs.

Every major fall in stock prices provides investors with an opportunity to build long-term wealth. The equity market tends to generate considerable wealth over a period of time and can be expected to do so in the future as well.

With bond yields nearing record lows, this bear market can be viewed as a positive to buy high-quality stocks at reasonable valuations. Investors who want to diversify their risk can consider ETFs such as the **iShares S&P/TSX Capped Information Technology Index** (TSX:XIT).

This ETF has exposure to Canada's top-performing tech companies. In the last year, the XIT has returned 6.5% compared to the 18% decline in the S&P 500. In the last 10 years, XIT has generated annual returns of 12.1%. This means a $69,500 investment in this ETF in March 2010 would have ballooned to $220,000 currently.

Shopify is the top holding in XIT

The top five holdings of the XIT include **Shopify** (TSX:SHOP)(NYSE:SHOP), **Constellation Software**, **CGI**, **Open Text**, and **Descartes Systems Group**; they account for 30.3%, 25.1%, 18.1%, 13.1%, and 4% of the ETF, respectively.

We can see that most of the companies in XIT are high-growth companies and are bound to crush broader market returns on the rebound. Shopify stock went public in May 2015 and has returned a staggering 1,700% since then.

In the last five years Constellation Software, CGI, Open text, and Descartes have generated returns of 170%, 28.5%, 36%, and 136%, respectively.

Shopify is expected to be a multi-bagger

Despite Shopify's stellar returns, the stock is trading 41% below record highs. Shopify is Canada's e-commerce giant and is expected to benefit from the country's growing market. It is the largest Canadian tech company with a market cap of US$40.34 billion.

Shopify has managed to grow sales from US$673 million in 2017 to US$1.57 billion in 2019. Analysts expect sales to touch US$4.05 billion by 2022. Shopify continues to trade at a high valuation. It has a forward price-to-sales ratio of 18.5 and is one of the most expensive stocks in Canada's equity market.

Its EV/EBITDA multiple stands at an astonishing 854, which makes it vulnerable in a sell-off like the current one. However, the company's growth story remains intact. Investors can look to buy Shopify stock at every major dip to average out their losses, given the company's huge market presence and robust growth metrics.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)
3. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

2. Tech Stocks

Date
2025/07/25
Date Created
2020/03/23
Author
araghunath