2 Growth Stocks to Buy During Downturns

Description

Managing a portfolio during a downturn can be daunting for even the most experienced investors. Although reactions differ between individual investors—some may decide to buy, while others sell or hold—it can be nearly guaranteed that almost all investors are asking the same question: "What should I do in a time like this?"

At The Motley Fool, we believe in buying companies, not tickers. That means when we buy companies, we buy them with the intention of holding them over the long term, which includes during downturns. With that in mind, where should investors shift their focus? It is widely accepted that growth stocks are often the hardest hit during market downturns, but they are often also the companies that come out of these events the strongest. In this article, I will discuss two companies that have shown this trend to be true.

Take **Shopify** (TSX:SHOP)(NYSE:SHOP) for example. Earlier this month, it became the the largest company in Canada by market cap. Shopify may be able to attribute its meteoric rise due to skyrocketing daily traffic on its platforms, since the coronavirus forced governments around the world to issue stay-at-home orders.

On April 16, Shopify chief technology officer Jean-Michel Lemieux tweeted that the platform was handling Black Friday level traffic every day. Other executives have been active on social media as well with, CEO Tobias Lutke regularly asking merchants what the company can do to help them through these trying times.

Shopify has also been releasing new apps (e.g., Shop), which indicate to investors that attempts to further advance the company are not being hindered by the pandemic. Most recently, Shopify announced via a **Twitter** livestream that it partnered with **Facebook** to allow Facebook and Instagram users to shop directly from merchants using Shopify. As a result of these developments, Shopify stock has gone parabolic since the market bottom in March, rising from $458.52 to $996.34 (+117.29%) at the time of this writing.

Another company to have strongly come out of the recent market dip is **Kinaxis** (TSX:KSX). Kinaxis is a software company focusing on supply chain management and sales and operation software. Examples of industry leaders which rely on Kinaxis are **Toyota**, **Unilever**, and **Qualcomm**.

A company that The Motley Fool has been watching closely since 2016, Kinaxis has been a reliable growth company for the past few years. In fact, at the time of this writing, Kinaxis has given investors similar returns to market-leading **Amazon** (424.9% vs 455.1%) over the past five years.

The company reported earnings this month, showing increases of 65% and 35% in revenue growth year over year for new name accounts and existing customers, respectively. During its recent earnings call, Kinaxis explained its plan to expand geographically as well as to continue to invest in product innovation. As the company has not shown any signs of slowing down, neither has the stock, rising 75.98% since the market bottom in March.

Both companies have shown very strong performance through the pandemic and should lead their respective industries in the future. If you are unsure of how to deploy your capital through periods of uncertainty, perhaps give these two companies—or your favourite growth stock—a look.

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2. TSX:KXS (Kinaxis Inc.)
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