



## Revisiting the Top 5 TSX 30 Stocks in 2020

### Description

The TSX had been hanging around all-time highs when the first TSX 30 was announced. Last year's inaugural recognition program brought strong-performing names to the fore during a record bull run. While the average investor usually looks at the top 20-30 names, the TSX 30 showcased ways to diversify a portfolio with less well-known businesses.

With an average 329% share price appreciation in three years, the TSX 30 identified the market's top-performing businesses. But that was in September 2019. Last fall, and the three years preceding it, were characterized by very different market conditions. So, what could lie ahead for the flagship program in 2020?

### 2020's list will reflect a reorganized market

Cannabis stocks dominated last year's TSX 30 list, [along with gold producers](#). However, 2020 is seeing cannabis companies struggle to capture brand awareness. The battle for the hearts and minds of Canadian cannabis consumers should have seen major brands becoming household names. However, the pandemic rather got in the way of that. Capturing market share has been elusive amid a locked-down retail environment.

The top five names in the first-ever TSX 30 were **Canopy Growth**, **Shopify**, **Village Farms International**, **Kirkland Lake Gold**, and **Trilogy Metals**. With September now only a couple of months away, it seems as good a time as any to revisit these names. Year on year, Canopy is down 53%. Hot on its heels, fellow cannabis player Village Farms has lost 50% of its share price. Trilogy has shed 26%.

On the other end of the scale, Kirkland has gained 13%. Meanwhile, Shopify has leapt an incredible 236%. This makes Shopify a hot contender for this year's TSX 30. Does this performance make the e-commerce hero one to buy, though? With a potential [tech stock pullback](#) in the wings, investors may want to keep cash on hand instead. While Shopify satisfies a long-term growth thesis, buying the next dip could be a smart move.

## How to make use of the TSX 30

Rather than looking at the TSX itself, which is dominated by banks and energy names, investors can use the TSX 30 to look at outperformers. This year's mix of outperforming names is likely to retain at least some similarity to the debut TSX 30. Canadian tech has seen rapid evolution in the last three years. Tech stocks are therefore due to be represented, though cannabis stocks will likely see a reshuffle.

One of the things that is so informative about the TSX 30 is that it shows a sectoral cross-section of the Canadian economy as driven by three-year share price appreciation. These are all businesses with market caps between \$250 million and \$49 billion, which itself makes them strongly defensive.

One thing that this year's TSX 30 can also do is to highlight some names that the average investor may have overlooked. 2020 has seen further growth in TSX 30 tech names like Shopify and **Constellation Software**, for instance. But other names in this space have also seen strong appreciation this year. At the end of the day, curiosity in new opportunities can add diversification to a portfolio. And this is, perhaps, its greatest strength as a program.

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