

TSX Venture Back With a Vengeance: 114% Gains Since March

Description

Not all investors tend to see the **TSX Venture Exchange** with the same level of trust that they see **TSX**. It might be the volatile nature of many stocks that trade in the junior exchange, or the fact that many people consider venture capital stocks relatively riskier. Such investors might be missing out on some of the hidden gems that the junior exchange has to offer.

Even investors who don't usually bother with the venture capital stocks can't overlook the monstrous recovery of the junior exchange. The TSX Venture composite index is up almost 114% since its March crash, and nearly 95% of the Venture capital stocks are currently in the positive territory. The 114% growth since March makes the recovery of TSX index's 48% look paltry in comparison.

Metal-fueled growth

The Venture Exchange is predominantly composed of mining stocks. The material sector makes up 62.5% of the exchange, and it's one of the main reasons behind its insane recovery. Whenever there is a market crash or talk of a recession, the sentiment around gold changes. Investors strive to get the metal or companies related to the metal into their portfolios for hedging.

From huge material stocks to junior companies trading on the Venture Exchange, all have seen rapid growth since the March crash. And it's not just gold. Silver is up more than 100% since March, and it's also contributing to Venture Exchange growth. The gains don't just stand out against the central exchange but against the micro-cap index across the border as well.

Though miners still dominate it, many small cannabis stocks are joining the exchange, ever since the government legalized marijuana. Unsurprisingly, that particular section of the exchange mimics its senior peers and finds it hard to gain proper traction. The smaller cannabis companies are suffering from the same issue: black market competition.

A stock to consider

While there are many new cannabis companies in the junior exchange, only a handful are sizable enough for conservative investors. We will look to the primary exchange for a <u>good cannabis stock</u>. One candidate is **Aphria** (TSX:APHA)(NYSE:APHA). The company started out in 2013 with a few medical cannabis plants. Now, in a span of just seven years, the company is capable of annualized production of 255,000 kg and operates in 10 countries.

Aphria has a strong balance sheet. It is also one of the <u>few cannabis stocks</u> that managed to hold on to the growth spurt it experienced during the lockdown, when marijuana sales broke record levels almost all across the country. The stock is currently trading 102% higher than its lowest price during the crash. So, if you had bought into Aphria then, you'd have doubled your capital by now.

Foolish takeaway

Despite having a profoundly material leaning composition, the Venture Exchange is a fantastic place to look for stocks that might have the potential for robust and long-term growth. The same volatility that makes small stocks risky may also be an indicator of rapid growth potential. The trick is to look for companies that don't face a lot of competition and have strong fundamentals.

CATEGORY

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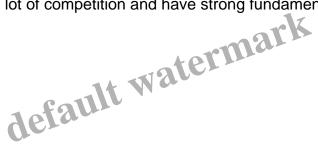
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