



## Meet the Canadian Tech Stocks With Up to 200% Gains

### Description

Tech stocks tend to fall into two broad categories. On the one hand, you have the high momentum speculative plays. Then you have the “old reliable” variety of tech stocks – the companies that provide heavy-lifting industrial and infrastructural support. With a raft of new tech stock IPOs approaching, let's catch up with the Canadian DOCKS stocks and see how they compare with their American cousins.

### Meet the heavy-hitting tech stocks

**Descartes Systems Group, Open Text, Constellation Software, Kinaxis, and Shopify** make up some of the strongest tech names on the **TSX**. They're not quite in the same league as America's FAAMG stocks (recently swapping out **Netflix** for **Microsoft**). But in terms of actual returns, the Canadian DOCKS still have plenty to offer.

Then again, Canadian tech investors can go the indexing route. The trouble with doing so in an uneven space, though, is that outperformers get dampened down while riskier names find their way into a portfolio. While watering down risk is a clear benefit of an index such as the **iShares S&P TSX Capped Info Tech ETF** ([TSX:XIT](#)), watered-down returns are less appealing.

For example, XIT is up 49% year on year — impressive for a market as battered as 2020's. But now consider some of the returns of the DOCKS. Kinaxis is up 160% since last August. Shopify has gained, on average, 166% year-on-year. And non-DOCKS stock **Docebo** has gained an incredible 202% in the same time period. So, while XIT has beaten some DOCKS names, it's clearly no stand-in for its strongest members.

### Taking U.S. tech stocks to task

Let's return to those much-trumpeted FAAMG stocks for a moment. Microsoft has gained 61% since last year – not a bad return. **Facebook** has gained 59%. **Apple** – the most talked-up of the bunch – has seen share price appreciation of 144%. These are decent gains by any standard. But the fact is that they are being outstripped by Canadian tech stocks. And at the end of the day, it's the multiplier

that counts.

Investors should also consider trends, stories, and valuations. For some growth investors, valuations might only be a concern if they are unsustainable. Look at Shopify and Netflix, for example. These are arguably names that could [hit a saturation point](#) in terms of market share and consumer appetite.

But there are some major differences between Canadian and U.S. big-name tech stocks. Facebook is strongly weighted by advertising, which means that a downturn in such revenue is a concern. The DOCKS don't have a comparable weakness. But one way in which U.S. tech stocks can trump Canadian ones is [through consumer discretionaries](#). This means that names like Apple are unique when it comes to sustainable returns.

On the other hand, Canadian tech stocks are strongly industrial in scope. They focus on business management, supply chains, and corporate digitalization. As such, Canadian tech stocks are less focused on lifestyle and luxury, and more on business efficiency. And so we return to the difference between speculation and reliability. For a mix of high returns and reliability, then, the DOCKS look like better plays right now.

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