



These 2 Companies Should Be Foundational Stocks in Your Portfolio

Description

When you think of foundational Canadian sectors, it would be fair to think of the oil, banking, and utilities. These three sectors have been the backbone of the Canadian economy for decades. However, the Canadian technology sector is quickly emerging as an important area to take note of.

Many tech companies listed on the **TSX** are establishing themselves as leaders within the Canadian economy. Prime examples include these two **S&P/TSX 60** constituents. Because of their respective positioning within this vast and growing market, I believe they should be foundational stocks in your portfolio. Which two companies am I talking about?

An oldie but goodie

This company has been one of the most consistent performers on the TSX for the past two decades. **Constellation Software** ([TSX:CSU](#)) has built its reputation by acquiring undervalued businesses and helping build them into industry leaders. To date, Constellation has acquired more than 500 businesses since its founding.

Constellation Software follows a very [disciplined approach](#) when it comes to acquiring businesses. This often leads to a low purchase price, which doesn't put a lot of strain on the company's financials. First, it searches for businesses that have a history of profitability. This allows Constellation to immediately see increased cash flow within its network.

Next, it requires companies to have an outstanding management team. Constellation will provide all the tools and support needed for the acquired businesses to thrive. However, companies that already feature a strong management team will be much more attractive as they may result in a lower maintenance investment, allowing Constellation to focus on finding the next acquisition instead of alleviating issues with one of its businesses.

As stated previously, following this rigorous set of ideals has helped Constellation Software become one of the [most reliable stocks](#) since the turn of the millennium. Since going public in 2006, Constellation stock has gained more than 8,700%. It has continued performing strongly, through the

pandemic, increasing more than 27% this year.

A leader in one of the most important industries moving forward

One of the most exciting spaces to invest in right now is the e-commerce industry. Companies that operate within this space should see massive growth in the coming years as consumers continue to shift towards online shopping. Because of this, I believe **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is another company that should serve as a foundational position in your portfolio.

Shopify is a leading enabler of the e-commerce industry. The company provides a platform that allows businesses to host online stores. Currently, more than 1,000,000 businesses around the world use Shopify's platform. Although it is already the leading provider of such services in English-speaking countries, Shopify has continued to dedicate itself to prioritizing growth moving forward.

Since coming public in 2015, Shopify stock has climbed more than 3,700%! In the past two years, its stock has gained more than 600%. With e-commerce sales currently representing a small portion of global retail sales, it is almost certain that Shopify will continue to see massive growth in the future.

Foolish takeaway

Canadians should look away from the oil, banking, and utility sectors for foundational stocks within their portfolio. The Canadian tech sector contains companies that are quickly becoming the backbone of the Canadian economy. I believe Constellation Software and Shopify are two companies that every investor should hold in their portfolio.

CATEGORY

1. Investing
2. Tech Stocks

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TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

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