Funds Are Heavily Buying Into This Stock! Should Investors Do the Same?

Description

One strategy retail investors can employ to help beat the market is to follow smart money. This means investors will actively keep an eye on big money funds to see what kind of trades they are making. Because of the large number of shares that typically get bought by these funds, investors will be able to observe trading activity over a number of days or weeks. If retail investors are able to spot trends regarding the trading activity of these funds and get in early, the rewards can be lucrative.

All fund managers are required to submit 13F forms every quarter. This form details all the trades that a fund has made over the past quarter. I have been looking at a certain company's ownership list to see what kind of activity has occurred in the past three months. The list indicated that fund managers are becoming increasingly bullish. Which company are funds heavily buying into?

A stock in the centre of my coverage universe

According to recent 13F forms, **Shopify** (TSX:SHOP)(NYSE:SHOP) has been the focus of many fund managers over the past quarter. Notable Canadian funds that have bought into the company include **Bank of Montreal** and **Royal Bank of Canada**. Over the past three months, BMO Asset Management purchased 91,949 shares, which represents a 20.65% increase in the fund's overall position. Likewise, RBC Global Asset Management purchased 80,134 shares in Q3, representing an 18.40% increase.

South of the border, fund managers have been buying Shopify stock a lot more aggressively. The Discovery Value Fund purchased 183,049 shares last quarter. This resulted in a 27.97% increase in the fund's total share ownership in Shopify. Taking the lead, however, was **T. Rowe Price**. The investment management firm bought a staggering 843,325 shares, which indicates a 43.11% increase in the firm's total share count.

What does this mean for Shopify stock?

Over the course of the quarter, Shopify stock gained about 6%. This is quite a mediocre performance, considering the stock is up nearly 190% since the start of the year. However, investors should note that big money funds decided to wait until there was a long consolidation period in Shopify stock. Usually, retail investors decide to dump shares during these periods, as they lose interest in a slower-moving stock price.

Keeping a long-term vision in mind, picking up shares during a consolidation period could be very rewarding in the long run. Shopify has been a winner since its IPO, and these fund managers continue to believe in its prospects moving forward.

Foolish takeaway

Following the smart money is an investment strategy that more retail investors should consider. Finding trading trends coming from big money funds can be very rewarding. This is especially true if an individual investor is able to jump in before investment firms finish adding shares to their positions. In Q3, fund managers heavily bought into Shopify stock at a time when many retail investors were selling shares because of its slow growth during that time.

Clearly, big money managers believe that Shopify's future is still bright. Did you buy shares last quarter?

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. canada
2. Editor's Choice
3. growth
4. growth stocks
5. investing
6. long term growth
7. Retail
8. Shopify
9. Shopify Stock
10. tech
11. tech stocks
12. technology
13. technology stocks
14. tsx growth stocks
15. tsx tech stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Tech Stocks

Tags

1. canada
2. Editor's Choice
3. growth
4. growth stocks
5. investing
6. long term growth
7. Retail
8. Shopify
9. Shopify Stock
10. tech
11. tech stocks
12. technology
13. technology stocks
14. tsx growth stocks
15. tsx tech stocks

Date
2025/08/24
Date Created
2020/12/21
Author
jedlloren