# 3 Canadian Small-Cap Stocks to Buy for 2021

### Description

Canadian small-cap stocks aren't everybody's cup of tea. They can be wildly volatile, and for many, the roller-coaster ride of emotions may not be worth the shot at greater returns. If you're a young investor with a long investment horizon, though, it can pay major dividends (not literally) over the long run by not neglecting the smaller-cap universe that could be filled with hidden gems.



While some small-cap gems could make you rich, I'd discourage investors from chasing momentum, neglecting valuation, or having unrealistic expectations. With prospective returns likely on the lower end of the spectrum over the next 10 years, the unloved small-caps because may be the ultimate solution to the problem of lower risk-adjusted returns.

Without further ado, here are four of my favourite Canadian small- and mid-caps to consider:

## Aurora Cannabis

**Aurora Cannabis** (TSX:ACB)(NYSE:ACB) is a cannabis company that's fallen drastically out of favour in the post-legalization environment. While the producer may be viewed as "risky," I find the risk/reward profile on the name to be the most favourable it's been in a while.

While ACB stock is wildly volatile, the stock itself actually looks like a bargain at 0.9 times book value, given the longer-term opportunity in the budding cannabis market. I think the Canadian small-cap stock could realistically double over the next three years, possibly helped by the Biden administration.

In any case, I think the name has to be in your smaller-cap portfolio if you seek a shot at outsized gains over the long haul. The cannabis bubble may have burst, but there is still an opportunity to be had for longer-term thinkers.

## Badger Daylighting

**Badger Daylighting** (TSX:BAD) isn't exactly a sexy small-cap stock. It's in the business of soil excavation using non-destructive hydrovac equipment. As a low cost way to play on a rise in increased infrastructure spending, I find Badger to be a solid core to any small-cap portfolio.

Shares aren't expensive, and they could have room to run as the economy climbs out of its COVID-induced funk. Like Aurora, Badger is prone to wild swings, so mind the volatility and take advantage of them by adding to your position on dips. The stock sports a rich 1.6% dividend yield that could be in a position to grow at a decent rate over the next decade.

At 2.3 times sales, Badger is a cheap small-cap stock that's not fully respected by your average investor. Come the economic rebound; I think the name could experience a big re-valuation to the upside.

## Jamieson Wellness

**Jamieson Wellness** (TSX:JWEL) is another boring small-cap that's worth picking up on weakness. Shares of the vitamin, mineral, and supplement (VMS) maker have been under pressure in recent months thanks in part to renewed vaccine hopes.

It's as though the end of the pandemic will have a long-lasting negative impact on the demand for vitamins, minerals, and protein supplements, which I don't believe will be the case, as people will still continue to look after their health. If anything, the pandemic may have given the secular trend in health-consciousness a permanent boost.



People will still reach for the green-capped products at the vitamin aisle. Moreover, with a world of international growth opportunities and new products on the way, the best days are ahead of the nearly 100-year-old company that Warren Buffett fans can appreciate for the small-cap's simplicity and predictable cash flow trajectory.

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**TICKERS GLOBAL**

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)
3. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
4. TSX:JWEL (Jamieson Wellness Inc.)

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