Forget Volatility! 2 TSX Growth Stocks That Are Strong Buys for April

Description

Low volatility and growth may seem like oxymorons, but low-volatility growth stocks exist on the **TSX Index**, and they're the premise for many "smart-beta" strategies. By lowering your beta (the degree to which a stock follows in the footsteps of the broader market) without compromising on growth, you may have a smart beta stock that can help you grow your wealth over time, minus the jitters that come with being invested in the stock market.

Low-beta growth for a high-volatility world

Of course, low volatility or low beta doesn't mean no volatility. And when there's a cash-crunching market crash, like the one suffered in February and March of 2020, all bets are off the table. Such "everything" sell-offs are unavoidable, even for safe-haven assets and bond proxies. In all other environments, like the one we're in right now, low-volatility growth may be a compelling place to be.

Constellation Software: A low-volatility growth stock in a nutshell

Steady low-volatility growers like **Constellation Software** (TSX:CSU) held their own in the 2020 market crash, and it's riding high amid the latest rotation out of growth and tech. Over the years, the stock has essentially been a smooth line up, thanks in part to the proven business model and the talents of its managers.

As the 10-year U.S. Treasury bond yield continues its ascent, some of the more speculative growth stocks will continue to be wildly volatile, as value looks to take the driver's seat. That's not to say you should go out of your way to avoid all things growth, though. Instead, you should insist on profitable growth rather than paying up for an unprofitable growth story that promises growth in the distant future.

Constellation is wildly profitable and is one of many low-volatility ways to bet on if you fear that the U.S. bond yield could be headed towards 3% by year's end.

For those unfamiliar with the company, it's a diversified software company that's created ample value over the years through prudent M&A. Over the past five years, the stock has more than tripled, suffering far less volatility for most other tech stocks that have grown their top and bottom lines at a high double-digit rate.

The growth stock boats a low 0.67 five-year beta, a high growth rate (17% annualized revenue growth over the past three years), and a compelling multiple (30.8 times forward earnings). As a proven grower that's more likely to zig when the markets zag, the name is a great buy for any investor who fears the return of inflation.

Metro: Playing defence as others play offence

The increased appetite in speculation could inflate a bubble that could burst at any time, punishing those who chased and neglected the valuation process. Right now, all eyes are set on the great reopening, and people have grown more comfortable with taking on more risk for a shot at greater rewards. In this kind of environment, where SPACs, NFTs, and other exciting and exotic instruments sell like hotcakes, I'd play some defence with a low-volatility play like **Metro** (TSX:MRU).

Like Constellation, Metro is a low-volatility growth stock, with a near-zero (it's actually slightly negative) five-year beta and 11% in annualized revenue growth over the past three years. The low-beta play is coming off one of its rare bear market (20% drop) moments and is a great buy for long-term investors who want to grow their wealth without worry.

CATEGORY

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2. TSX:MRU (Metro Inc.)

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