2 Consistent Growth Stocks to Buy This Year

Description

Every investor has a different risk appetite, and it's not as straightforward as having a tolerance for relatively risky stocks. Even conservative investors, who prefer to stick with fundamentally strong companies, might have a higher risk tolerance for companies in sectors/industries that they thoroughly understand.

Similarly, many dare-devil investors might stay clear from businesses and sectors they don't understand. The attitude is different towards growth and dividend stocks as well. Not all dividend stocks are inherently safe. They are merely preferred, because they offer more consistent and predictable returns, and if they happen to offer some capital growth as well, that's just the cherry on top.

The same goes for growth stocks. Not all growth stocks are volatile and unpredictable. There are some stocks that offer consistent and reliable growth and have years or even decades of history backing it up. Two such stocks are **Toromont Industries** (TSX:TIH) and **Constellation Software** (TSX:CSU).

An industrial stock

Toromont Industries have two core businesses. It has an equipment group that offers an extensive range of **Caterpillar** heavy equipment and machinery to a wide variety of industries, including infrastructure, construction, power generation, agriculture, and waste management. A diversified clientele ensures that the equipment wing's revenues don't go down with one particular sector.

In 2020, almost 90% of the company's revenues came from the equipment business. The remaining 10% was generated from the second core business — i.e., CIMCO, the refrigeration business.

Toromont is among the oldest Dividend Aristocrats on the TSX. It has grown its payouts for over three consecutive decades, but its dividends often get forgotten in the shadow of its capital growth prospects, which is partly because of the modest 1.29% yield. Toromont's growth has been quite consistent in the last two decades. And it has returned almost 1,300% to its investors in those two decades.

If the company can sustain its 10-year CAGR of 19.2% for the next couple of decades, it can easily grow your capital several times over.

A software stock

Constellation Software, with a share price of about $1,900, is *the* most expensive stock currently trading on the TSX. This is the result of over 10,000% growth in the last 15 years. Even if you had invested $10,000 in the company a decade ago, you'd have a nest egg of about $300,000 right now. And the growth has been quite consistent.

Constellation's 10-year CAGR is even more impressive at 42.3%. That's enough to double your money in just about two years. The company is in the business of acquiring other businesses. It has two major business segments — the private and public sector — and currently, Constellation's portfolio consists of six different companies and corporate groups.

Foolish takeaway

Consistent and reliable growth can be a powerful addition to your portfolio. Constellation's share price might make it relatively undesirable for investors working with limited capital, but it might still be worth considering. These companies might have the potential to propel your portfolio forward at a much faster pace than comparatively conservative (and safer) choices.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:TIH (Toromont Industries Ltd.)

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