If You’ve Got $2,000, Buy These 2 Stocks Now

Description

“It’s never too late to do the right thing.” The quote is just as valid for investment decisions as it is morally. And it’s something value investors need to understand. Many value investors tend to opt for relatively subpar assets just because they might have an attractive valuation. They give up on potentially explosive assets because they tend to be overvalued for their taste.

Good growth assets are rarely or very infrequently undervalued, especially in a strong market. And unless you keep a decent amount of liquidity at hand at all times, you might have difficulty snapping them up at precisely the right moment. But instead of giving up on them, it might be a good idea to try and add them to your portfolio, even when they are fairly or relatively high priced.

A good stock might offer you better returns (even if bought overvalued) than a fair stock bought at a great value. So, if you have $2,000 to invest, there are two good stocks you might consider buying.

A gold stock

The “era” of gold is over. The shiny metal was all the hype when the market crashed, but now that it’s on its way to recovery, gold and gold stocks aren’t receiving the love they were about a year ago. Still, a stock like **Abitibi Royalties** (TSXV:RZZ) would be a solid buy. In the last 12 months, the stock has only grown 11.6%, which might seem paltry, but it’s actually quite impressive compared to many other giants in the sector.

But an even better reason to consider Abitibi for your $2,000 capital would be its capital growth history before the crash. The stock has returned well over 400% in the last five years, which makes the five-year CAGR a mouthwatering 41.9%. With a price-to-earnings ratio of 20.5 and a price-to-book ratio of 5.6 times, the stock is overpriced (comparatively), but consider the growth you will be locking in at this “value.”

Even if the stock grows at about half the rate of its five-year CAGR (at about 21% a year), it can grow your $1,000 capital more than six times in a decade.

A tech stock

Sangoma Technologies (TSXV:STC) is an even more powerful growth stock that often flies under the radar, thanks to the fact that it trades on the junior exchange. But it offers growth potential to rival many of the top dogs on the TSX. The share price has grown over 1,100 in the last five years, and unlike other tech stocks that saw expedited growth after the 2020 crash, most of Sangoma's growth happened before the crash.

The five-year CAGR is an unnaturally high number of 68.2%, but if we go back farther, the growth numbers (and hopefully the future potential) become more sustainable since the company has a 10-year CAGR of 25.2%. But perhaps an even better reason to consider this stock is its solid financial footing and valuation. The stock *is* overvalued, but it's not nearly as much as a stock with its growth potential might be *justified* to be.

The revenues and net income are not growing at quite the same pace, but they are growing quite steadily.

Foolish takeaway

At its 10-year CAGR, Sangoma has the potential to grow your $1,000 invested in the company to about $9,000 in a decade. So, in the two companies, considering they can keep their growth pace, you can grow your $2,000 seed to a $15,000 nest egg in about 10 years.

CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Tech Stocks

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Date
2025/07/07
Date Created
2021/05/14
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