3 High-Growth TSX Stocks to Buy and Hold Forever

Description

When it comes to long-term holdings, more people prefer dividend stocks over growth stocks. For reliable long-term growth, many investors prefer index ETFs. They make the perfect “buy-and-hold” assets for capital appreciation.

But if you can tone down your expectations of “high-returns” a bit and instead focus more on stocks that have the potential to stay stable and keep growing at a steady pace for decades, you might be able to harness better growth than index ETFs might offer, especially if you benchmark the performance against S&P/TSX Composite index.

The king of Canadian banks

Royal Bank of Canada (TSX:RY)(NYSE:RY) is often just recognized as the largest bank in Canada and one of the largest in North America. But it’s also in the top tier of growth-oriented banking stocks and generous dividend stock. It’s currently offering a yield of 3.42% and has been growing its payouts for nine consecutive years.

The bank has a 10-year CAGR of 13.1%, which might not be “high-growth,” but it can certainly be consistent and sustainable. And if you are planning on holding this stock forever, this growth rate is enough to grow your small seed capital to a sizeable nest egg. If you had invested $10,000 in this bank two decades ago and chose to reinvest the dividends, you’d now be sitting on a $100,000 nest egg.

At the growth rate of $13.1%, you can achieve similar growth in the next two decades.

A consumer staple stock

Another category of forever stocks is defensive stocks like **Metro** (TSX:MRU). It has a massive national footprint and is in two of the most ever-green businesses: food and medicine. Its food segment is quite strong in Quebec and Ontario, where the bulk of its 950 food stores are situated. It also has 650 drug stores, spread out under four different banners and rooted deep into their respective communities.

Apart from strong financials and a sustainable business, a major competitive edge that makes Metro a great buy-and-hold TSX stock is that its brands have a relatively loyal consumer base.

Metro's 10-year CAGR is a bit higher than Royal Bank's (15.4%), and its yield is significantly lower (1.7%). But the supermarket chain does have an even longer dividend-growth streak (26 years).

A powerful growth stock

One stock on this list that truly adheres to the definition (and expectations) of a high-growth stock is **Constellation Software** (TSX:CSU). Despite being quite expensive (on both dollar value and valuation fronts), it's one of the most sought-after assets for robust growth.

Its capital growth has been more than just consistent; it has been simply epic. If you had invested $10,000 in this software company a decade ago, you'd have grown your capital by about 25.9 times to $259,000. It's aggressively overpriced right now, but if it can sustain its 10-year CAGR of 39.6% for just one more decade, it can make you a millionaire with a fully stocked TFSA.

Foolish takeaway

All three companies have competitive edges they have honed and leveraged over the years, and they are all industry leaders. They also have most of the other characteristics you should look for in a forever stock — i.e., financial stability, relatively limited competition, etc.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:MRU (Metro Inc.)
4. TSX:RY (Royal Bank of Canada)

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