



## 3 Canadian Stocks to Buy Under \$5 in August 2021

### Description

It has been a memorable year for Canadian stocks. The **TSX Index** has enjoyed a very strong 16% return year to date. One segment of the market that has yet to fully recover is Canadian small-cap stocks. There are some pretty [attractive opportunities that can still be swiped up today](#).

When Canadians invest in small-cap stocks there are a few things to keep in mind. First, often they have less liquidity, so these stocks can be more difficult to acquire or sell a position.

Second, they can be more volatile. Since there are fewer shares to trade, a large purchase or sell order can move the stock more than a larger capitalized stock.

Finally, investors can make huge gains if they are prepared to be patient and invest with a long-term mindset. Buy quality businesses when they are small, and collect great returns as they grow!

### StorageVault: A top-performing Canadian stock

A great small-cap investment that has paid huge returns for patient Canadian investors is **StorageVault** (TSXV:SVI). Today, it trades for just \$4.83 per share. Yet, this stock has produced tremendous returns for investors over the years. In fact, if investors held this stock since its initial public offering (IPO) in 2008, they would have enjoyed a 2,356% return!

StorageVault owns and operates 180 self-storage properties across Canada. For a rather boring business, who would imagine such incredible returns? The reality is we all own a lot of stuff.

Canada actually has a shortage of storage units and space. The storage sector still remains very segmented, so it continues to be a great environment for StorageVault to consolidate the industry.

Since the company is not a real estate investment trust, it is able to reinvest cash flows into new growth opportunities. That means, it can compound capital very effectively. Given that there is still ample room to grow in Canada, this Canadian stock could still give investors solid long-term returns.

## European Residential REIT: An up-and-coming real estate stock

Another real estate stock still in the early innings is **European Residential REIT** (TSXV:ERE.UN). It owns and operates multi-family housing properties in the Netherlands. It is a great way for Canadians to get geographic exposure to Europe.

The Netherlands is an ideal place to own apartments. It has an incredibly dense population, barriers to new housing developments, and limited housing supply. Consequently, many people have no choice but to rent for life.

Through even the pandemic, European Residential has enjoyed consistently high occupancy rates and solid rental rate growth. Likewise, through its partnership with **Canadian Apartment REIT**, it has a great management platform and a strong acquisition pipeline. This stock only trades for \$4.50 per share and pays an attractive 3.6% dividend today.

## H2O Innovation: A great Canadian ESG stock

One final Canadian small-cap stock that is trading cheaply today is **H2O Innovation** ([TSXV:HEO](#)). It trades for \$2.40 per share today with a market capitalization of just \$195 million. Along with many other [ESG/renewable-focused stocks](#), H2O is down year to date. Yet, it presents an attractive entry point.

H2O provides crucial components and services for the water infrastructure sector. Given the heatwaves and [water challenges in places like California](#), water resource management has become a crucial issue to address. Municipalities and utilities have to increase their capital spend to mitigate water efficiency issues. This trend should support H2O's growing backlog of projects.

Due to its crucial nature, this Canadian stock garners very consistent recurring revenues and solid free cash flows. The company has a goal to essentially double its adjusted EBITDA over the next three years. Given the strong environment, this certainly is possible and early investors could have much to gain by holding this ESG stock for the long run.

### CATEGORY

1. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:ERE.UN (European Residential Real Estate Investment Trust)
2. TSX:SVI (StorageVault Canada Inc.)

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