



7-Bagger: 2 Small-Cap Stocks to Buy in August 2021

Description

Investing in small-cap stocks with strong growth potential can allow you to create tremendous wealth that helps jumpstart your retirement fund. Here are two small-cap stocks that you should research further and consider buying this month.

Between the two, they have been seven-bagger investments in the last 12 months — the equivalent of growing an initial \$5,000 investment in each stock into a total of \$70,000. The awesome growth suggests that these two [growth stocks](#) could be multi-baggers in the future as well.



Data by YCharts.

A small-cap tech stock to buy on this dip

The market is hard to please. **Converge Technology Solutions** ([TSX:CTS](#)) released excellent second-quarter financial results, but the market reacted by selling the growth stock by as much as 12% yesterday.

In my humble opinion, the dip is a buying opportunity for a starter position. Investors seem to agree; by the market close yesterday, the tech stock had recovered to a decline of only 7%.

This goes to show that it's really a gamble when traders try to trade around earnings time to guess if a stock will rally or drop before or after reporting their earnings. After all, even when results are good, a stock could fall. And when results are bad, a stock could rise. Only in the long run do stocks follow the business fundamentals.

So, how did Converge do for the quarter? Its revenue rose 52% year over year to \$345 million, while its adjusted EBITDA, a cash flow proxy, climbed even more by 86% to nearly \$22 million.

Perhaps the market is taking a wait-and-see approach, as the small-cap stock makes its first step into Europe by acquiring Germany-based REDNET. Consistent wins in its new European expansion could reward shareholders with a rising stock price. Let's not forget that there's also plenty of room for Converge's North American expansion, which is a more familiar market it operates in.

Another small-cap stock to buy in August 2021

good natured Products ([TSXV:GDNP](#)) could be another good small-cap stock to buy in August 2021. You would be interested in good natured Products if you want to take part in greening the Earth.

The company makes everyday Earth-friendly products, such as food packaging, compostable take-out containers, etc. from plant-based materials.

It sells more than 400 products to about 600 recurring business-to-business customers across 50 states or provinces and makes about 20,000 direct-to-consumer transactions every year.

The small-cap stock's trailing 12-month revenue is only about \$21.6 million, and its market cap is just \$211 million. It's not profitable yet. However, it could take off when it turns net income positive. It wouldn't be surprising if the stock doubled over the next couple of years from under \$1 per share today.

General tips for investing in small-cap stocks

Diversify your holdings and size your positions accordingly. That is, determine how much you're going to put into each position depending on your confidence in the business. For example, you might decide that small caps could be worth up to 20% of your stock portfolio with the goal of tremendous wealth creation. You might invest 1-3% of your portfolio in each carefully selected small-cap stock.

Buy in tranches. [Small-cap stocks](#) could be more volatile than your average stock. The stock market could provide buying opportunities more frequently than large-cap stocks. Therefore, if you like a small-cap stock right now, it might be wise to buy a third or half of a position at a time.

Give time — at least three years — for the business to grow. Generally, if the business performs, the stock should rise within that time frame, unless you paid way too much for the stock to begin with. You should consider holding on to small-cap stocks that are outperforming and have a long growth runway.

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