Got $500? Add 2 Stocks to Your TFSA

Description

The TFSA contribution room is about $6,000 every year. It might change with inflation over time, but that's the baseline Canadian investors have to work with right now. For most people with a regular income, putting away this kind of money in one or two months is impractical, so a good way to hit the contribution limit and max out your TFSA contribution room is to divide that amount up over 12 months.

It translates to $500 a month, which is a decent enough amount to invest, especially if you have chosen the right stocks. And if you are looking for stocks that you can buy with your monthly $500 TFSA budget (for this month or another), there are two that should be on your shortlist.

A graphene company

While it's not as transformative technology as the internet or nuclear fission was, graphene has is certainly powerful enough to be game changing. It offers one of the best strength-to-weight ratios of all known natural and artificial substances and is also one of the best conductors (both heat and electricity). And since it's artificial, companies like **NanoXplore** (TSX:GRA) make it and stand to reap from this budding industry.

The graphene industry was sized at about US$127 million in 2020 — quite a jump from its $87.5 million market size a year before. Two different projections put the CAGR of graphene market size somewhere between 40% and 70%, and whichever number you go by, the market will most likely grow more than 10 times its current size before we enter the next decade.

As one of the largest graphene manufacturers around the globe, NanoXplore can take advantage of this growth. The stock is already up over 200% in the last 12 months. It's expensive but also financially stable with minimal debt and a decent amount of cash on hand. 10-fold (or even more) growth in the potential market size could result in a proportional amount of growth for the company.

A tech company

Converge Technology Solutions (TSX:CTS) is an overpriced tech stock that has only recently started to dip. And even though the stock is down 23% from its 2021 peak, the last 12-month growth of this stock is still over 330%. The price-to-earnings ratio is through the roof (214%), although the price-to-book ratio (5.8) is not as bad as it could have been, considering the recent growth momentum.

But once this tech stock is done slumping and ready to grow again, it might be a must-buy. The stock has grown quite consistently and steadily since the market crash and didn't experience a serious correction with the rest of the sector earlier. Its core focus, the cloud, is also a reason to invest in the company, since the cloud is and will remain a thriving business for at least a few more years (potentially, much longer).

Foolish takeaway

While it's technically a materials stock, NanoXplore shares a lot of characteristics of a typical tech stock. It's focused on a specific technical innovation and relies heavily on the expansion of its target market. Both stocks are poised for future growth, but they should be bought *after* they run out of their current recovery momentum.

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