3 Top Small-Cap Stocks to Hold in Your TFSA

Description

Investors hoping to find stocks with the greatest growth potential tend to focus on small-cap stocks. This is with good reason. The law of large numbers states that companies cannot sustain high growth rates as they increase in size. Therefore, smaller companies should be able to outpace many of the larger companies in terms of growth.

It's important to note that because small-cap stocks tend to be much less established, investors may experience a lot of volatility in these positions. However, if you're able to withstand that volatility, then you could see massive growth over the long run. These gains could even be larger if you invest in a TFSA, as positions won't be taxed upon selling a stock. With that in mind, here are three top small-cap stocks to consider holding in your TFSA.

Take advantage of the growth within e-commerce

The first small-cap stock that investors should consider holding in a TFSA is **Goodfood Market** (TSX:FOOD). This is an online grocery and meal kit company. It's estimated that Goodfood holds a 40-45% share of the Canadian meal kit market. Valued at a market cap of about $220 million, I believe there's a lot of upside left in this stock.

Goodfood has done an excellent job of growing over the past few years. In 2016, the company reported $3 million in sales. Last fiscal year, Goodfood's revenue was $379 million. That represents a CAGR of 163% over that period. One of the things that's helped Goodfood grow so quickly is the fact that it now operates facilities in all 10 Canadian provinces. It now also offers express deliveries in its major cities, which could help consumers shift to this company at a greater rate.

The global healthcare system is ripe for disruption

Around the world, healthcare systems were tested by the COVID-19 pandemic. It's clear that the current way of doing things isn't as optimal as it can be. Many Canadians are finding it difficult to consult their family doctors, because many practitioners are no longer seeing patients in-person. That's where **WELL Health Technologies** (TSX:WELL) comes in.

WELL Health operates primary care clinics and offers an online marketplace where healthcare practitioners can optimize their telehealth offerings. WELL Health is currently valued at a market cap of $1 billion. The global telehealth industry is expected to grow at a CAGR of 24% over the next five years. If WELL Health can grow alongside the industry, investors could see massive growth in the coming years.

A financial company with an impressive dividend

Normally, small-cap stocks don't tend to pay dividends. This is because they're often focused on growing the company as fast as possible. As a consequence, earnings tend to be reinvested into the company instead of being paid out to shareholders. However, **goeasy** has taken a different approach. A Canadian Dividend Aristocrat, goeasy has grown its dividend at a CAGR of 34% over the past eight years.

CATEGORY

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2. TSX:WELL (WELL Health Technologies Corp.)

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