



3 Stocks That Could Create Lasting Generational Wealth

Description

The stock market has been insanely [volatile](#) in 2022. It is nearly impossible to time when this bear market will bottom or whether to sell if the market keeps going lower.

Frankly, an investor's best defence is the length of their investment time horizon. If you *hold* high-quality businesses that have great products/services, strong managers, good strategies, and solid balance sheets, you can worry less about short-term market fluctuations.

Great businesses become great stocks in the long term

Great businesses are amazingly resilient. While revenue and earnings growth might slow temporarily in a recession, they are often quick to recover when the economy shifts.

Often, economic turmoil can be a catalyst for smart businesses to make great acquisitions or take market share from weaker competitors. That is why buying and holding high-quality stocks for the long term pays off.

Simply put, high-quality businesses find ways to outperform over long periods of time. If you are looking for high-quality stocks that could make long-lasting, [generational wealth](#), here are three of my favourite today.

WSP Global stock

With a market cap of \$18.5 billion, **WSP Global** ([TSX:WSP](#)) has become one of the largest consulting, engineering, and design firms in the world.

It has a great return track record, delivering a 20.7% average annual total return since 2014. If you put \$10,000 into WSP stock, it would be worth \$51,900 today.

The company has a plan to grow net revenues, adjusted EBITDA (earnings before interest, taxes,

depreciation, and amortization), and net earnings per share by 30%, 40%, and 50%, respectively, by 2024. While it recently lost out on a bid to buy a large U.K. environmental consulting business, it has a cashed-up balance sheet and plenty of other acquisition opportunities (potentially at better valuations, too).

WSP has a large project backlog and multiple levers to grow organically and expand margins. This is a relatively defensive business with a good outlook for patient long-term investors.

Constellation Software

If any Canadian stock has created generational wealth, it is **Constellation Software** ([TSX:CSU](#)). Over the past 10 years, it has earned shareholders a 33.5% annual average return. If you'd bought \$10,000 of CSU stock 10 years ago, it would be worth \$179,500 today.

Constellation operates and acquires generally small, essential software businesses that fill unique market niches around the world. Constellation has acquired hundreds of these businesses, and it continues to acquire at a record pace.

It has some of the smartest capital allocators in the world. Its balance sheet is in a strong position. Given how fast software valuations have fallen, Constellation could have plenty of opportunities to add businesses and grow shareholder value for the long term.

Aritzia stock

Aritzia ([TSX:ATZ](#)) is one of Canada's best-performing retail stocks. This mid- to high-end women's apparel retailer has been gaining strong traction in the past few years. While its stock is down 2.6% this year, it has significantly outperformed the [TSX Index](#) and other retail peers.

Since 2016, it has delivered an 18.2% average annual return. \$10,000 invested in this stock would be worth \$27,400 today. However, most of its returns have been made up in the past two years, where its growth has exploded in the U.S. market.

Aritzia just announced [second-quarter fiscal 2023 results](#). Net revenues, adjusted EBITDA, and net income increased 50%, 13%, and 16%, respectively. Despite supply chain challenges and economic worries, the company continues to outperform expectations.

It is in the early stages of its U.S. expansion, and it still has the rest of the globe to grow. With a market cap of only \$5.7 billion, this stock still has plenty of room to run, as management executes its growth strategy.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:CSU (Constellation Software Inc.)

3. TSX:WSP (WSP Global)

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