2 Proven Growth Stocks to Scoop Up Today

Description

Stock prices are a lot lower from the start of the year. Year to date, the Canadian stock market, using **iShares S&P/TSX 60 Index ETF** as a benchmark, is down 9%. For reference, the market's 10-year annualized returns are 8.2%. Growth stocks have fallen even more. Therefore, buying a basket of growth stocks could make you wealthier on a market turnaround. Here are a couple of proven growth stocks to scoop up today.

La crème de la crème growth stock

Constellation Software (TSX:CSU) is one of the very best growth stocks you could own long term. The tech stock provides software for a range of vertical markets and has increased its profits over time. It is a free cash flow machine. It doubled its free cash flow generation in the past three years.

Management has done a superb job allocating capital, resulting in a five-year return on invested capital of 27.6% and return on equity of 47.1%. Much of the capital is focused on strategic mergers and acquisitions.

The growth stock has a proven track record of making long-term investors wealthy. An initial investment of $10,000 a decade ago in the tech stock is now worth about $204,470, equating to annualized returns of roughly 35.2%.

Year to date, the tech stock is down 16%. The pullback could be the perfect opportunity to start or add to a long-term position for investors seeking price appreciation. The growth stock also yields 0.3% as a bonus. At about $1,965 per share, analysts believe the quality tech stock trades at a decent discount of 23% from its 12-month consensus price target. In other words, near-term upside of 30% is possible.

Another large-cap growth stock for price gains

Brookfield Asset Management (TSX:BAM.A) is another outperformer. The large-cap growth stock transformed an initial $10,000 investment into $43,540 over the last 10 years, delivering marketbeating returns of about 15.9% in the period. It's impressive given that these are returns *after* a stock price correction of 30% year to date.

Consequently, it's attractive for long-term investors to accumulate shares at current levels. At $53.53 per share at writing, the growth stock trades at a substantial discount of 36% to the 12-month analyst consensus price target. In other words, 56% upside over the near term is possible.

The global alternative asset manager has a diversified portfolio of more than US$750 billion assets under management across real estate, infrastructure, renewable power, private equity, and credit. It targets a long-term rate of return on investment of 12-15%. So, buying the growth stock at depressed prices (such as now) should lead to higher returns for the long haul.

Other than macro factors such as high inflation, rising interest rates, and economic contractions, perhaps the fact that it's spinning off its asset management business soon is another factor depressing the stock. Retail investors might not want to hold a small position in its spinoff asset. So, some decide to sell the stock before the spinoff takes place.

What it's spinning off is actually the cash-cow asset-management business. It may be better to buy more shares of this business after the spinoff.

In any case, the growth stock also yields 1.4% that will add to the overall returns.

The Foolish investor takeaway

In a stock market correction, it's a good time for investors to scoop up proven growth stocks like Constellation Software and Brookfield Asset Management on the cheap to build wealth over the long haul.

CATEGORY

1. Investing
2. Stocks for Beginners

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2. TSX:BN (Brookfield)
3. TSX:CSU (Constellation Software Inc.)

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kayng