2 Overlooked Mid-Cap Stocks With Promising Growth Potential

Description

So much for the Santa Rally, with the S&P 500 tanking back into bear market territory (a 20% fall from peak levels) last week. Undoubtedly, many investors like to set their sights on seasonal rallies and all the sort, even if they're based on nothing but arbitrary data points. Sometimes, Santa Claus comes to town, but other times, it's the Grinch that steals Christmas. In any case, the holiday season makes for some pretty interesting headlines.

Long-term investors shouldn't base their buying or selling moves based on something as arbitrary as the month. Even if history suggests a period has a higher chance of positive returns, most market participants are already aware, rendering a period of seasonal strength less actionable for investors seeking to make a quick buck.

Indeed, history is re-writing itself all the time, and unprecedented events need to be accounted for. While a lack of gains in the final trading week of a year isn't unprecedented (the bear market of 2018 saw ugly results during the holidays), I think the best thing investors can do amid the holiday selling season is to treat any dips as gifts, courtesy of Mr. Market.

Nobody knows if they're timely gifts. However, for those with a long-term mindset, prospective returns will get higher with every percentage point a security price drops. In the mid-cap universe, there's a greater chance of having a name trading well below its intrinsic value. Why? Few investors are looking. With so much attention focused on the large and mega caps, it's not a mystery that some of the lesser-loved mid-caps could offer way more in terms of value in tough market conditions.

Consider shares of **Aritzia** (TSX:ATZ) and **Jamieson Wellness** (TSX:JWEL).

Aritzia

Aritzia is probably one of my favourite mid-cap growth stocks out there. Many young Canadians are likely very familiar with the Aritzia brand.

The company is looking to expand its presence south of the border with hopes that American consumers will share a similar degree of brand affinity for the firm's wears. Aritzia's mild expansion has been met with pretty decent results. Now, I have no idea if the company's push will propel the Canadian chain by leaps and bounds in the U.S. apparel scene.

Regardless, I wouldn't at all be shocked to see ATZ stock join other American apparel companies in the S&P 500 at some point over the next 10-15 years. Aritzia has created a brand that may know no borders. In that regard, I view the stock as a disruptor in the retail industry. A recession will be a setback. However, I think Aritzia stock is deserving of a premium price tag. Shares go for north of 30 times trailing price to earnings (P/E).

Jamieson Wellness

Jamieson Wellness is a vitamin maker that's also an intriguing brand. The firm has its sights set on China, where there's a middle-class boom.

A recession will delay next-level growth. However, I think Jamieson can continue to make moves to improve its positioning for the post-recession world. The firm is reinvesting in its business to create innovative new products. The vitamin maker could make a big splash in protein, as millennials and boomers look to higher-protein offerings to improve their overall health.

At the end of the day, Jamieson has a strong brand and promising growth prospects. Let's not forget about the defensive nature of vitamins and minerals. At 29.4 times trailing P/E, JWEL remains a top mid-cap grower for the long run.

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