



These 3 TSX Stocks Are Set to Soar in 2023 and Beyond

Description

2023 has started out as a cheerful year for TSX stocks! The **TSX Index** is up over 7% to +20,750 points. Considering last year's ugly decline, it is a rapid [reversion in sentiment](#).

Now, it is hard to say what [Canadian stocks](#) will do going forward. What I do know is that if you buy stocks in high-quality companies, it tends to pay off over time. In fact, some of the best-quality TSX stocks have been the quickest to rebound. Many are now hitting new 52-week highs and some even all-time highs.

It simply demonstrates that when you invest, you need to think [long term](#). If you own a great business, holding through thick and thin can make the difference between long-term gains or short-term losses.

If you are looking for some TSX stocks that are set to soar in 2023 and beyond, here are three top stocks on my radar.

Constellation Software: A top TSX software stock

Constellation Software ([TSX:CSU](#)) has already been on a tear in 2023. Its stock is up 12% year to date. Year over year, it is up 13%, so if you held even through the downturn, you'd be up by a decent margin. It is trading near a new all-time high today.

Constellation is a decentralized acquirer of small, niche software companies around the globe. It has over 600 businesses under its umbrella. While it doesn't grow much organically, it is a maverick at acquiring high cash-yielding businesses at attractive valuations.

Now, Constellation is undoubtedly an expensive TSX stock. It trades for 33 times forward earnings. However, acquisition growth has been accelerating (\$1.3 billion in 2021 and \$1.795 billion in 2022). At some point, those new cash flows will hit the bottom line, and Constellation could surge for its elevated growth.

BRP: A top discretionary stock

Another TSX stock that has been performing very well is **BRP** ([TSX:DOO](#)). Year to date, it is up 18%. Like Constellation, it has recovered all its losses from 2022 and is up 19% over the past 52 weeks.

BRP owns leading brands (Can-Am, Ski-Doo, and Sea-Doo) for high-powered motor and water vehicles. Despite global economic worries, the company has continued to deliver strong +25% growth in 2022.

BRP has a great portfolio of products. Innovation should continue to [drive growth](#) in new categories. Despite solid growth, its stock only trades for 13 times earnings. The stock just needs to re-rate to valuations in line with peers for investors to see a nice, outsized return.

European Residential REIT: A deep-value TSX real estate stock

European Residential Real Estate Investment Trust ([TSX:ERE.UN](#)) is a little known Canadian [real estate investment trust \(REIT\)](#) that owns residential multi-family properties 100% in the Netherlands. This TSX stock has risen 22% so far this year. However, it is still down 13% from its price a year ago.

This presents an attractive opportunity for investors. Rental demand in the Netherlands is extremely high due to low housing inventory and strong immigration. Consequently, European Residential captures high occupancy and over 4% annual rental rate growth across its portfolio.

This TSX stock pays an attractive 4.5% distribution yield (which, it pays monthly). Yet, most importantly, even after its run-up, it trades at an approximate 40% discount to its private market value. Several market commentators have suggested this REIT could be privatized or sold given the extreme discount.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:DOO (BRP Inc.)
3. TSX:ERE.UN (European Residential Real Estate Investment Trust)

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