Three Stocks to Hold for the Next Five Years

Like most investors, one of your top goals has been to enjoy financial freedom at whatever age you choose. So, it stands to reason that your money should ideally generate above-market returns with below market risk.

We believe these three stocks could help find you the rewards you're after.

Hot Stock No. 1 – Square Inc. (SQ)

SQ develops and provides payment processing, point-of-sale, financial, and marketing services worldwide. It provides Square Point of Sale, a POS application software that offers managed payments solutions and advanced software products, including Square Dashboard, a cloud-based reporting and analytics tool that provides sellers with real-time data and insights about sales, items, customers, and employees; Square Payroll, which empowers sellers to hire, onboard, and pay employees and the associated taxes; and customer engagement tools that help sellers to enhance their business through digital customer feedback, marketing, and loyalty programs.

What makes Square such an exciting trade is its disruptive technology.

It's disrupting every thing we know about credit card processing, which still uses old, expensive machines to process transactions. Frustration with such archaic processing is what created Square's product that allows merchants to accept mobile credit card payments using a credit card reader attached to the port of a phone. Square then takes a percentage of the transaction cost.

Such a solution has caught the attention of millions of people. And there's still plenty of growth ahead that could fuel hefty revenue streams and profit growth for years to come. In fact, the company believes it can grow revenue by 20% to 25% a year with margins of 35% to 40%. That's strong growth. Plus, consider this. There are millions of small- and mid-sized businesses just in the U.S., which generate a total of $6 trillion in revenue.

Even better, the company believes it can capture a good deal of the international market, too, which is five times bigger than the U.S. markets. The company also just unveiled its newest hardware offering, Square Register, a versatile, fully integrated point-of-sale, built in-house to work seamlessly with any business. Square Register gives sellers a powerful combination of dedicated hardware, embedded point-of-sale software, and Square's fast and secure payments technology, all built to work together perfectly, according to its latest press release.

Hot Stock No. 2 – Roku Inc. (ROKU)

Roku Inc. operates a TV streaming platform. The company operates in two segments, Player and Platform. Its platform allows users to search, discover, and access approximately 500,000 movies and TV episodes, as well as live sports, music, news, and others.

We like the stock for a few reasons.

For one, KeyBanc Capital Markets analysts noted that recent checks indicate "accelerating growth in customers on the Roku platform" based on a look at a database of credit and debit cards, as quoted by MarketWatch. They also see "growth acceleration in virtual multi-channel video programming distributors (vMVPDs)... When vMVPDs and other content publishers sign agreements to be on the Roku platform, they typically share economics. We expect that accelerating vMVPD growth would accelerate platform growth for Roku, and bolster ad-supported video adoption on The Roku Channel."

Two, short sellers at Citron Research just reversed their negative view on the stock. "The move to cutting the cord and [over-the-top] advertising is real and it is a megatrend that Citron not only does not want to be short, but at this valuation I want to be long," noted the short seller, as quoted by CNBC. Citron also said its reassessment of Disney's acquisition of DTC streaming service BAMTech "implies that ROKU could be worth about 3x its current value."

Three, there's also new speculation that Netflix could buy the company, as a way to generate new revenue. Analysts noted that ROKU is trading at a significant discount to its peers despite being the only over the top (OTT) pure play that generates revenue.

And four, there’s a good amount of insider buying. Steve Cohen’s fund, Point72 Management for example, picked up a 5.1% stake in the streaming video and audio player tech-company in April 2018. Then in recent days, President and CEO, Anthony Wood bought 1,592 shares. Senior VP, Advertising Scott Rosenberg picked up 20,000 shares. CFO Steve Louden bought 75,000 shares, and Senior Vice President Stephen Kay bought 34,013 shares.

Hot Stock No. 3 – Canopy Growth (CGC)

Talk of legalizing marijuana across the U.S. has been growing like a weed.

And as controversial as it may be, it’s also one of the most explosive opportunities we’ve seen. In fact, with recent legalization, marijuana could very well be a $30 billion market in four years. It's only a $6.7 billion industry right now, up 30% from 2015.

Right now, 29 states and the District of Columbia have legalized marijuana for medical purposes. As for its recreational approval, California just became the eighth state to make it legal.

Again, controversial or not, you can't ignore the numbers.

California could see $5 billion in revenue from its legalization.

- In Colorado, marijuana sales were up to 4998.19 million in 2015. In the first six months of 2017, revenue was up to $1 billion in sales.

- In Nevada the projection is a whopping $6 billion, while Massachusetts is estimated to see around $1.5 billion in gross sales the first year. Maine is projected to enjoy $290 million in gross sales annually. In Florida, legalization could generate up to $2 billion in annual sales. North Dakota could see $75 million just starting out.

- New Mexico already allows for its medical use but could expand laws, as well, especially to help reduce the state's massive budget deficit. Within the first year of such sales, estimates say the state could see $60 to $70 million added to the state budget.

- In Michigan, the state is working to secure enough signatures to get legalization on the ballot by November 2018. Even New Jersey has pledged to sign legislation that would allow for the possession and sale of recreational marijuana.

However, it's not just the U.S. that's a catalyst. It's Canada, too.

On June 7, 2018, Canada's Senate voted on bill C-45, which is better known as the Cannabis Act. If signed into law, the Cannabis Act would allow our neighbor to the north to become the very first developed country in the world to have legalized adult-use marijuana. It would also open the door to $5 billion or more in added annual sales for the legal marijuana industry.

Despite some hiccups along the way, we're looking for legalization by Labor Day, September 3, 2018 in Canada.

That being the case, by 2021 analysts say Canada could have nearly four million recreational marijuana users, creating a monstrous $5 billion industry. The industry could balloon to $8.7 billion shortly after, as marijuana retail sales just in Canada are likely to surpass beer, wine and spirit sales combined. That's big money.

One of the best ways to trade the likely boom is with a stock like Canopy Growth.

In its most recent report, the company mentioned revenue jumped 22% over the first fiscal quarter of 2017, and 245% over the second quarter of fiscal 2016. While it hasn't proven itself to be profitable, sales growth is powerful. Over the last nine quarters, total sales have grown 63% on average to $6.47 million in its third quarter from $1.84 million a year earlier.