



3 Stocks to Build Your First Portfolio

Description

If you're used to investing in funds, picking your own stocks can be a daunting challenge. There is plenty of literature, including from The Motley Fool, that can help you make those picks, but it can still be overwhelming.

The question a lot of investors ask is: Where do I start? Below are three stocks you can use to build the foundation of your portfolio.

1. Bank of Nova Scotia

You can't go wrong by starting with Canada's big banks. They operate in a protected industry, making them very profitable, and are very well capitalized by nearly any standard.

And the most appealing bank stock right now is **Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)). The shares have trailed the other banks over the past year (due to Bank of Nova Scotia's presence in emerging markets), creating an opportunity to pick up the stock at a discount. Despite all the growth opportunities that Bank of Nova Scotia has in Latin America and elsewhere, the stock still trades at under 13 times earnings.

2. Canadian Natural Resources

Canada's energy patch, much like mining, can be a scary place for investors. Whether its volatile energy prices, operational mishaps, or skyrocketing costs, this is a sector that can see some real disasters. But unlike mining, there are a quite a few energy companies with very strong track records of cost control and capital allocation.

The best example is **Canadian Natural Resources** ([TSX: CNQ](#))([NYSE: CNQ](#)). Led by Chairman N. Murray Edwards, CNRL has developed a strong record of buying assets cheaply and cutting costs to the bone. It's worked well for the company; over the past 15 years, the shares have returned nearly 19% per year. As long as CNRL keeps up its strong performance, it makes a great addition to any portfolio.

3. Canadian National Rail

When picking companies, it's always important to look for companies with sustainable competitive advantages. Otherwise, even if a company is very profitable, competitors will step in until that's no longer the case. But no industry is less welcoming to new entrants than railroading, where laying down your own track is simply too expensive.

Canadian National Railway ([TSX: CNR](#))([NYSE: CNI](#)) has been the best-performing railroad for many years now, with a cost ratio lower than its peers. And it arguably has the best track network of all the carriers. You're unlikely to hit a home run with this pick, but it should help you sleep at night.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:CNQ (Canadian Natural Resources)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:CNR (Canadian National Railway Company)

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