



New Investor? Start Your Portfolio With These 2 Stocks

Description

Canadians are fed up with high fees that come with buying actively mutual funds. Many new investors may be unaware, but such high management fees could be eating away at their retirement funds. Sure, a 2.8% MER may not seem like much, but with the power of compounding over many years, this MER is a big deal, and you probably aren't getting your money's worth since most actively managed mutual funds fail to beat the market.

Exchange-traded funds (ETFs) and index funds, funds which follow an index like the **S&P TSX Composite Index**, are great options for passive investors who don't want to pay high fees. But let's face it; we all want to beat the market, and it's fun to be a do-it-yourself investor in this day and age with all the resources at your disposal. If you're a beginner investor who's looking to start a portfolio, here are two core holdings you should consider starting with.

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#))

CN Rail is known as North America's most efficient railroad. The company is a dividend-growth king that has consistently beaten the market over the long term, and it has a gigantic moat.

The reason Warren Buffett is so successful is that he invests in businesses which have the concept of a "moat," which is a durable competitive advantage that prevents competitors from entering the industry to steal market share. Such barriers to entry are extremely important these days, especially with the rise of technology and the potential disruptions they cause to many industries that aren't necessarily considered high tech.

Although CN Rail's 1.59% dividend yield may seem tiny in comparison to many high-yield stocks, other companies aren't growing their dividends at a consistent rate and magnitude as CN Rail is. By buying shares today, you're essentially positioning yourself to collect a much higher dividend yield many years down the road, all while you enjoy capital appreciation.

I believe CN Rail is a must-have core holding — not just for beginners, but for any investor looking for solid long-term returns.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#))

TD Bank is Canada's second-largest bank by market cap with the largest U.S. presence of the Big Five Canadian banks. The reason I like Toronto-Dominion Bank as a core holding is that I believe it's Canada's safest bank, and its dividend is likely to increase by the largest magnitude compared to its peers over the next few years thanks to several tailwinds.

Despite being a Canadian bank, TD Bank actually owns more branches in the U.S. Although Canada is a great place to invest, the Canadian economy is quite sensitive to the price of commodities, so TD Bank's U.S. exposure provides it with not only geographic diversification, but long-term stability.

Stay smart. Stay hungry. Stay Foolish.

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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/08/20

Date Created

2017/07/24

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