



5 Top Stocks for Your Starter Portfolio

Description

Beginning an investment portfolio is an overwhelming task at any age. The questions that one must answer, or at least have an informed opinion about, are endless.

Which areas of the market are most attractive at this point in time? Within these industries, which companies are the most attractive? What is more important; growth or valuation? What is the healthy trade-off between the two? And lastly, how much of the portfolio should we keep in cash?

Here are five top stocks to put in the equity portion of the portfolio.

Dividend stocks belong in every portfolio, and with **National Bank of Canada** ([TSX:NA](#)), we get a 3.76% yielder that has big exposure to [rising interest rates](#) and a restructuring program that has seen significant efficiency gains.

The company's efficiency ratio improved by 230 basis points in the last quarter, and its ROE was 18.3%. The company's ROE was 15.5% in 2016, so the improvement is clearly massive. We can expect this year to see more of the same, as the bank continues to close the gap between it and the more established banks, such as **Canadian Imperial Bank of Commerce**.

With \$10.8 billion in revenue, **CGI Group Inc.** ([TSX:GIB.A](#))([NYSE:GIB](#)) is Canada's largest Information Technology (IT) services firm. The company has and will continue to grow by consolidating the industry and by growing organically, as the IT services industry is a growth industry.

At this point in time, CGI still has a big opportunity to continue along its growth trajectory, with a focus on higher-margin business further increasing the company's margins over time. In the latest quarter, adjusted EBIT margins were over 15%. This is a long way from margins of under 10% only four years ago.

Agnico Eagle Mines Ltd. ([TSX:AEM](#))([NYSE:AEM](#)) stands to benefit from a shift in investor sentiment toward more stable, risk-averse investments such as gold. That's in addition to its operational excellence, solid growth profile, and attractive valuation.

Canadian Natural Resources Ltd. ([TSX:CNQ](#))([NYSE:CNQ](#)) is special, because it offers a long-life, low-decline portfolio, and oil and gas assets that have given the company a predictable and reliable stream of cash flow with little reserve-replacement risk.

This means investors get [exposure to the sector's upside](#), while mitigating the downside risk.

Finally, we have **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), a pillar of stability, reliability, and capital preservation.

Since 1996, investors have enjoyed 22 years of dividend increases, with a 33% dividend increase in 2015, a 14% increase in 2016, and a 15% increase expected in 2017. And management expects the dividend to increase at a 10-12% cumulative average growth rate from 2017 to 2024.

Lastly, there's the question of cash. Personally, I am keeping a greater than normal amount of my portfolio in cash, as I believe that there will be market weakness in the near term and better deals ahead.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Metals and Mining Stocks
6. Stocks for Beginners
7. Tech Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:ENB (Enbridge Inc.)
4. NYSE:GIB (CGI Group Inc.)
5. TSX:AEM (Agnico Eagle Mines Limited)
6. TSX:CNQ (Canadian Natural Resources Limited)
7. TSX:ENB (Enbridge Inc.)
8. TSX:GIB.A (CGI)
9. TSX:NA (National Bank of Canada)

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