3 Stocks That Can Help You Beat the Market and Diversify

Description

These days, mirroring the market is easy. With the emergence of ETFs, investors can look for well-diversified portfolios that cover many stocks across various industries. They no longer have to purchase stocks individually or require lots of capital to diversify. While that all sounds good, mirroring the market, particularly the TSX, isn't an ideal strategy when you see how badly it's been performing this year.

Diversification can offer you lots of stability, but it can also minimize your returns. For this reason, you may simply be better off investing in high-performing stocks with strong business models and a proven record of outperforming the market. Below are three stocks that fit this bill and could therefore help your portfolio beat the market.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has been a high performer in its industry, with plenty of diversification and a very strong presence south of the border. In the past five years, TD's stock has grown 73%, returning a modest, but strong 13% in the past 12 months. Even amid a difficult start to 2018, the stock's returns have been flat.

Rising interest rates and a growing economy will continue to help TD pad its top and bottom lines as it has done in the past. In four years, revenues have grown 33% and profits are up an impressive 59%. With TD, you'll also be getting a solid dividend of over 3% per year that you can count on top of stronger than average returns. Further, the company also has a strong track record of increasing its payouts, which means that your dividend income will also grow over time.

Waste Connections Inc. (TSX:WCN)(NYSE:WCN) is an attractive stock I would categorize it as "recession-proof" for its necessary place in our economy. Whether times are good or bad, people will need to dispose of garbage, which helps Waste Connections secure a lot of stability in its top line.

The company has been able to build via acquisition, which has helped revenues more than double in just four years, while profits have nearly tripled during that time.

In five years, Waste Connections has produced returns of nearly 60% for its shareholders; in the past year, the stock has risen over 21%.

Dollarama Inc. (TSX:DOL) might have a bit more instability in its industry, as we've seen some big players exit recently. However, the one thing that the discount store has going for it is that it isn't competing in the same space as that of the online retailers. Despite growth in the online segment, Dollarama still holds a secure place in the industry, as rising costs might result in more consumers opting for dollar stores.

In five years, Dollarama's stock has more than quadrupled in value, rising by more than 50% in the past year alone. The company is still in its growth stages, but even as things inevitably slow down, it could be a great long-term investment to rely on for capital appreciation.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:WCN (Waste Connections)
3. TSX:DOL (Dollarama Inc.)
4. TSX:TD (The Toronto-Dominion Bank)
5. TSX:WCN (Waste Connections)

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Date
2025/08/29
Date Created
2018/03/28
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