Young Investors: 2 Solid Stocks to Start Your Portfolio

Description

If you are new to the world of investment and have never bought any stock, you may feel overwhelmed by the choice of stocks available in the market.

You shouldn't buy stocks randomly or just to follow a trend. Some stocks are riskier and may not be suitable for you. If you have money to invest in only one or two stocks, you should look at quality stocks that are solid financially to lower your risk of losing money.

Low-beta stocks are good stocks to start your portfolio. As they are less volatile than the market, the risk to lose money is lower. These stocks also usually perform better than high-beta stocks during a recession, so you are better protected.

If you don't know where to start, I have two stocks for you: **Metro, Inc.** (TSX:MRU) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). These two companies have been in operation for a long time, have a low beta, and are in good financial health.

Metro, Inc.

Metro has a very low beta of 0.09. A beta close to zero means that the stock's volatility is much lower than the market; that is, the share price moves less than the market.

While you shouldn't expect to earn sky-high returns with that stock, it makes a solid foundation to your portfolio. Metro has been in operation for many years and is pretty safe since it is a grocery store chain.

The grocer's return on equity is very high, reaching almost 50%.

It also pays a dividend that is growing fast, as shown by the five-year dividend-growth rate of 16.7%. The current annual dividend is $0.72 per share paid quarterly for a yield of 1.5%.

Metro is undervalued: its stock has a P/E of only six, while the industry's average P/E is 15.

The grocer's shares have a compound annual growth rate of return of 20% for the last 10 years and have risen 12% since the beginning of the year.

Metro completed the acquisition of Jean Coutu Group, a pharmacy chain, in May. The combined entity creates a new leader in the retail sector with revenues of $16 billion.

Toronto-Dominion Bank

TD Bank has a beta of 0.68, so it is less risky than the market. This beta is one of the lowest betas among Canadian banks.

TD Bank has a solid track record and pays a reliable dividend that is increased annually. The five-year dividend-growth rate is 10.6%. The current annual dividend is $2.68 per share paid quarterly for a yield of 3.3%.

Higher interest rates are good for banks because net interest margins widen as interest rates increase.

TD reported second-quarter adjusted earnings of $3.1 billion — up 20% compared with the same quarter last year.

The bank's shares have a compound annual growth rate of return over 12% for the last 10 years and have risen 6% since the beginning of the year.

TD Bank signed a deal a few days ago to acquire Greystone Managed Investments Inc., a money manager based in Saskatchewan. This deal is expected to bring TD's Canadian assets under management to $393 billion, making it the largest money manager in the country.

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3. TSX:TD (The Toronto-Dominion Bank)

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