Forget Zoom Stock: This 1 TSX Name Is a Better Buy

Description

Investors were probably rubbing their eyes after seeing **Zoom Video** (NASDAQ:ZM) leap 42% this week. The stock caught fire following revised earnings guidance issued Monday. But should Canadians be sucked into the hype being generated by tech stocks on U.S. exchanges? Or is there a better way to accumulate wealth in a stock portfolio over the long term?

Bet on the horse or buy the race track?

Short-term gains are all well and good. The wildly oscillating momentum of the 2020 pandemic markets has certainly made some traders a heap of cash. Of course, on the other side of the coin are all those investors who lost out. But going forward, is the casual investor better off buying names that can steadily accumulate wealth? Or are the headline-generating tech stocks a more suitable play for upside?

Monday saw **Apple** and **Tesla** enjoy a lot of activity, both in the press and on the markets. Their stock splits had investors clamouring for cheaper shares. The mad rush saw Apple and Tesla gain and lose very quickly in a two-day period. Then it was Zoom's time to shine, with a remote conferencing tech name leaping by double digits. The stock then pulled back 7% midweek — clearly a ride not for the fainthearted.

The issue with all three of those American stocks is that they are all pure plays in areas highly vulnerable to loss of market share. The long-term investor may want to eschew these kinds of hyped-up names for diversified plays in less-ostentatious sectors. Consider mining, for instance. Natural resources are among Canada's great strengths as a nation. It makes sense to play to those strengths, therefore.

Mixing defensive qualities with growth in one stock

Let's examine a strongly diversified name that also pays a dividend. Passive income should also be a consideration for investors of a more defensive stripe. While the early days of the pandemic saw concerns for the sustainability of dividends, much of that fear has since subsided. Paying a 1.9% dividend yield, and with some gold exposure, **Lundin Mining** (TSX:LUN) may even prove to be a better play than **Barrick** or **Newmont**.

Up 34% year on year, Lundin has been gathering some strong momentum in the last 12 months. But Lundin still trades at just 1.2 times its book price. This is itself a solid indicator of just how nicely valued this stock is at the moment. What makes this such a strong play, though, is its access to multiple sectors. For instance, copper taps into the green economy growth trend, while zinc has medical applications.

Mining stocks and tech stocks are very different beasts. However, buying a stock like Lundin instead of a stock like Zoom isn't just a choice between two disparate sectors. It's a choice between two very different investing styles. In essence, a stock like Zoom is focused on momentum specific to the pandemic. This could prove far less sustainable than a stock that offers steady appreciation over the long term.

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TICKERS GLOBAL

1. NASDAQ:ZM (Zoom Video Communications)
2. TSX:LUN (Lundin Mining Corporation)

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