



Which 2 Stocks Will I Buy Next?

Description

As someone that picks individual stocks, I find a lot of pleasure in creating a portfolio that outperforms the market. However, not only does the portfolio need to be able to perform during bull markets, but it needs to survive the downturns. Because of this, I am always thinking about what it lacks. In this article, I will discuss two companies listed on the TSX that I am considering as the next additions to my portfolio.

One of Canada's top tech companies

I have [previously mentioned](#) that **Constellation Software** ([TSX:CSU](#)) is at the top of my watch list. Like its name suggests, the company has made its name by acquiring many different software companies and integrating them into its umbrella. Today, Constellation Software owns 500 vertical market software companies.

There are so few companies in the market that can claim a share appreciation of more than 8,000% over the past 14 years. While I hate to rely on stock charts as a determinant of future stock performance, I think this amount of growth is an excellent primer in choosing companies. As David Gardner believes that “winners win.” Constellation Software was founded by Mark Leonard. Today, he is still very much involved with the company as its president and chairman of the board.

Constellation's business model is also very interesting to me, as it clearly lays out the [requirements](#) for a company to be acquired. It starts with an already impressive company. One that has an outstanding management team, a strong record of profitability, and above-average growth.

From there, Constellation will coach the management team in hopes of turning it into an exceptional company. This is a strategy that has been proven time and time again. Constellation remains at the top of my watch list.

Possibly the best railway stock in Canada

Now, I have written extensively about how much I like **Canadian National Railway**. I think the company is outstanding. It has a very impressive rail network, which places it among the top four in North America. However, I think **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)) might be the way to go.

As a younger investor, I often get flack from fellow investors for being interested in a railway company. However, I believe it is an industry that is very established in Canada and will be around for the foreseeable future. Until a company comes out with a way to disrupt the railway industry, Canadian National and Canadian Pacific should remain viable investment options.

Canadian Pacific is dedicated to finding new ways to ensure company growth moving forward. This year, the company finalized an acquisition of the Central Maine & Quebec Railway. Through this acquisition, Canadian Pacific has regained access to Atlantic Canada. It also efficiently connects its stations in eastern Canada to the American Midwest.

I believe that as long as the management team continues to make the right moves, without taking on excessive amounts of debt, Canadian Pacific will be an excellent investment option. Its addition will also add to the dividend portion of my portfolio, which is currently lacking.

Foolish takeaway

Finding new companies to add to your portfolio can be more exciting than following price movements in the market. Currently, I have two top Canadian companies as leaders on my watch list. Constellation Software and Canadian Pacific Railway are two excellent companies that I will continue to follow.

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1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)
3. TSX:CSU (Constellation Software Inc.)

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