Got $3,000? 3 Top Canadian Stocks to Build a Portfolio Around

Description

With 2020 now in the review view mirror, investors can breathe a sigh of relief.

From a high-level view, the Canadian stock market was flat on the year in 2020. However, investors would likely say that the market was, if anything, the complete opposite of flat last year.

The COVID-19 pandemic caused a steep market crash of close to 40% in early 2020 — a record-setting crash followed by an incredible bull run that pretty much made up for all the losses that occurred during the COVID-19 market crash.

Heading in 2021, even with a vaccine already being distributed, there are still plenty of question marks regarding the health of the Canadian economy.

Which Canadian stocks should investors be buying in 2021?

If investors learned one thing in 2020, it's that diversification is a key ingredient to building a successful investment portfolio.

Investors saw differing impacts from the COVID-19 pandemic depending on the industry. Travel-related stocks, understandably, were among the hardest hit. Many tech stocks, on the other hand, saw a surge in performance throughout most of 2020. Demand was driven up by the shift to a work-from-home environment.

I've reviewed three top Canadian stocks that can serve as an excellent base for a diversified investment portfolio.

Whether you're looking to build a portfolio from scratch or rebalance your existing one, these are three companies you'll want to have on your radar.

Toronto-Dominion Bank

Banks were initially hit quite hard by the COVID-19 pandemic. Lowered interest rates from the Bank of Canada saw share prices drop dramatically in each of the major Canadian banks.

The banks rebounded from the initial crash very well. Each of the Big Five finished off 2020 at roughly the same price that they began the year.

Owning a Canadian bank stock won't earn you market-beating growth on a yearly basis. Not earning market-beating growth on a yearly basis is no reason to not own one in your portfolio, though.

The Canadian bank that's on my watch list right now is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD).

The primary reason I'd add TD Bank over the others is for its exposure to the U.S. economy. It's not uncommon for Canadian banks to have a presence south of the border, but I'd argue that none have done as impressive of a job as TD Bank.

About 25% of TD Bank's net income is driven by the U.S., which consists mainly of east coast states. There is still lots of growth left in the western half of the country.

Brookfield Asset Management

If you're looking for an individual stock with a ton of diversification, **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) is the company you're looking for.

The asset management company focuses its investments in real estate, renewable energy, infrastructure, and private equity.

Even as diversified as Brookfield Asset Management is, it's managed to significantly outperform the returns of the Canadian market over the past decade. The **S&P/TSX Composite Index** is up 50% since the beginning of 2010, versus Brookfield Asset Management's return of over 400%.

Constellation Software

After adding two relatively stable, low-risk, companies to your portfolio, it's time to add some growth.

Constellation Software (TSX:CSU) has been one of the top Canadian stocks to own over the past decade.

The tech company is up close to 4,500% over the past 10 years. While growth has slowed as of late, as the stock is up 200% over the past five years, it continues to be a consistent market-beater.

The tech company's aggressive acquisition strategy is a major reason why investors can count on Constellation Software to continue to outperform the broader Canadian market for many more years.

Since 1995, Constellation Software has acquired more than 500 companies. The acquired companies are often specialized tech companies in niche industries. As a result, Constellation Software is able to keep acquisition prices down, as the competition levels from other potential acquirers are low.

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1. Bank Stocks
2. Investing
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7. canadian banks
8. constellation software
9. CSU
10. CSU stock
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12. TD Bank
13. td stock
14. tech stocks

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5. brookfield asset management
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10. CSU stock
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