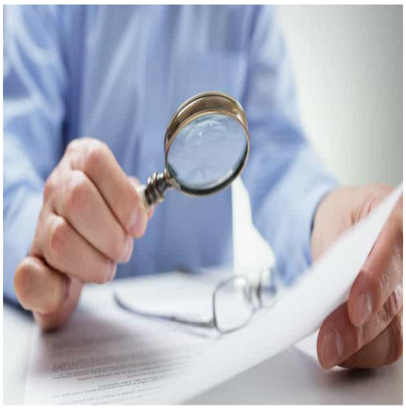

How I'd Aim to Find Top Shares to Buy in March 2021

Description

Finding top shares to buy in March 2021 could prove to be a tough process. The stock market has rallied after the 2020 market crash. As such, some companies may now appear to be overvalued based on their financial prospects.

However, it may still be possible to unearth top stocks that offer a mix of competitive advantages, solid finances and low valuations. Such companies could offer favourable long-term growth opportunities relative to other businesses.

Searching for top shares where other investors are not looking

A good place to start when searching for top shares could be unpopular sectors. Other investors may have disregarded them based on a variety of factors, including their uncertain prospects or a rapid pace of change that is taking place. This may provide opportunities to buy high-quality companies when they are trading at attractive prices.

Clearly, every investor will have their own version of what represents an attractive company. However, it could include those businesses that have solid financial positions and the capacity to adapt to a changing economic outlook. Through looking for such businesses where other investors are not spending much time doing likewise, it may be possible to unearth the most appealing buying opportunities following the stock market rally.

For example, investors may not be especially upbeat about the prospect of finding top shares in sectors such as financial services or energy at the present time. They face difficult operating conditions that could lead to losses for investors in what remains a precarious economic environment. However, by identifying the strongest businesses within such sectors, it may be possible to find undervalued companies within them.

Comparing stocks to their peers

Once a potential buying opportunity has been found, it may be a good idea to make a comparison with sector peers. This can provide a guide as to whether it among the top shares to buy today.

For example, two companies operating in the same sector may have similar valuations. However, one business could have a wider economic moat, such as a unique product or strong brand, that reduces its overall risks. Similarly, two stocks could have wildly different valuations – even though they have similar cost bases and revenue drivers. This may mean there is a mispricing opportunity that can be exploited by investors.

Assessing a company's quality

Clearly, the future is always a known unknown. Even top shares that offer a mix of low prices and solid financial prospects can underperform the market. They may even fail to deliver a positive return in the coming years.

However, by taking the time to analyse specific sectors that may be unpopular at the present time, it may be possible to obtain a relatively attractive risk/reward ratio. Over time, this may lead to attractive portfolio returns.

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