



## Too Many Stocks Spoil the Portfolio: Take 2 Stocks at a Time

### Description

Too many cooks spoil the food. Just like you need only one person to cook a delicious meal, you need only one person to build a stock portfolio. Any advisor you ask talks about diversification to reduce your risk. But do you know overdiversification increases your losses?

### Portfolio overdiversification: A risk that deserves your attention

If you plan to run a marathon, you don't use up all your stamina in the first five kilometres. You start slow and gradually grow the pace. That's the way with investing. Whether you are old or new to the stock market investing, don't invest in 10 stocks at once. This will divide your attention and leave you scattered.

Even Warren Buffett, after +70 years in the stock market, takes on three to four stocks at a time. Redditor r/WallStreetBets also targeted three stocks at a time. Start your investing marathon with two stocks at a time, slow your speed, and accelerate further in timely intervals. Keep yourself hydrated by taking short water breaks, or you won't be able to complete the marathon.

The Canada Revenue Agency (CRA) allows you to invest \$6,000 annually in the Tax-Free Savings Account (TFSA). You can invest this money in one go every year for the next several years or through \$500 monthly contributions. This will keep your portfolio hydrated with cash, and you will be able to tap the buying opportunities the stock market volatility creates.

### Building a robust portfolio two stocks at a time

When deciding on which stock to buy, study only two stocks at a time. This will help you find the rare gems. Study their fundamentals, business environment, and stock price momentum and decide the amount you wish to invest.

## Magna International

**Magna International** ([TSX:MG](#))([NYSE:MGA](#)) is the growth stock for the 2030 decade. If you look at the fundamentals, the pandemic impacted its overall sales and profit for [2020](#). The sales fell 17%, while adjusted EBIT fell 34% in 2020. But the fourth quarter saw a recovery in fundamentals thanks to the electric vehicle (EV) momentum. The fourth-quarter sales and adjusted EBIT rose 85.6% and 12.5%, respectively.

These fundamentals will only improve, as EV demand picks up in Europe, China, and the United States, as they look to reduce their carbon emissions. Magna has partnered with several automakers and tech firms to build EVs. Moreover, it is providing components for EV cars.

Magna stock has already surged 29% year to date and is unlikely to see any correction. This is the kind of stock you don't want to wait to buy at the dip; hop on the rally and hold it for a long term.

## BCE

**BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is the dividend stock for the 2030 decade. The pandemic impacted its 2020 sales and adjusted EBITDA, which fell 3.8% and 4%, respectively. But 2021 is the year of recovery as it will see the [5G growth](#) materialize. The company is accelerating its capital spending on increasing the 5G footprint.

The 5G rollout is still at a nascent stage. 5G is way bigger than 4G, as it will power many more end devices and improve their application. But this growth will take time. BCE stock surged 5.8% year to date till March 10 but saw a correction of 2.9% last week. This is the stock you want to grab at the dip as the dividend yield grows to 6.2%.

BCE increased its 2021 dividend per share by 5.1%. The company has increased its dividend at an average annual rate of 6.4% in the last 10 years. You can lock in a dividend yield of over 6%, which will compensate for any dips in the stock price.

## How to invest in the above two stocks

Don't invest \$3,000 in each of the two stocks in one go if you want to benefit from the volatility. Divide the \$3,000 purchase into two installments and buy the shares at the dip. You can get these stocks at a lower cost. Similarly, when you sell the share do so in a phased manner to make the most of the rally.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Personal Finance

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:MGA (Magna International Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:MG (Magna International Inc.)

## **PARTNER-FEEDS**

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