



## 2 of the Best Canadian Stocks to Buy and Hold Forever

### Description

Some Canadians love [passive investing](#), while others love buying individual stocks. Truthfully, neither approach is wrong or “more” right. It really depends on how much time, interest, and commitment an investor has to build/manage an investment portfolio.

### Forget “high-interest” savings accounts

The importance is that Canadians invest a portion of their long-term savings. Money sitting in “high-interest” savings accounts are hardly paying more than 1% interest. After inflation (which, is on the rise), you are actually losing buying power by maintaining funds in these accounts.

Of course, if you need your money in say, less than two years, a savings account is fine. However, if you have a longer time horizon (three or more years), then investing in the stock market is a great bet to build and compound wealth.

## Combine passive and active investing with top Canadian stocks

You can in fact combine an active and passive approach by buying top-quality Canadian stocks and then plan to hold them for forever. Some call this the “coffee can” approach.

Do your research upfront. Find companies with great managers, strong balance sheets, long-term prospects, and a history of smart capital allocation and profitability. Buy those stocks and then own them for a long, long time (or, until the investment thesis changes). If I were to do this today, here are two top Canadian stocks I would think about owning forever.

## A top Canadian software consolidation stock

When it comes to Canadians that are *great* at allocating capital, there is none better than **Constellation Software** ([TSX:CSU](#)). For years, I’d never touched this stock, because I always thought

it was too expensive. However, then I started to learn about its management team, its unique decentralized structure, and, most importantly, its ability to multiply free cash flow into more free cash flow.

Constellation invests in niche vertical market software businesses. These businesses often fulfill a specific market niche. They have very sticky customers and garner attractive recurring revenues. Constellation acquires these businesses, provides capital, best practices, and, importantly, coaching. Eventually they become cash-yielding market leaders. Constellation then reaps the cash proceeds and starts the cycle again. This formula has worked really well.

Since its IPO in 2006, Constellation has reaped a return of 7,134%. This company continues to find creative ways to keep growing. I still don't think it is too late to lock in some attractive gains while this Canadian stock pursues the coveted "100-bagger" status.

## A top Canadian asset manager

**Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) is great stock not many Canadians even really know about. Yet, it is one the world's largest managers of alternative assets. It has over \$600 billion under management! Today, it has broader scale, a better balance sheet, and stronger institutional demand than ever before. I believe it is well on its way to \$1 trillion of assets under management.

I like this Canadian stock because it derives income from a variety of sources. It has credit strategies, long-term private funds, perpetual strategies, and fees from managing its listed affiliates.

All of these funds and entities are focused on unique alternative assets like real estate, infrastructure, renewables, private equity, debt, re-insurance, and even impact investing. Hence, buying BAM is like buying a diversified portfolio of assets.

This company just had an extremely [good quarter](#). The outlook for 2021 looks really good. However, this stock still trades at a significant discount to the sum-of-its-parts valuation ("plan value"). Considering this, May is a perfect time to make this top Canadian stock a forever hold.

### CATEGORY

1. Investing
2. Personal Finance
3. Stocks for Beginners

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:CSU (Constellation Software Inc.)

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