



Building a Portfolio? Start With These 3 Stocks

Description

Every day, new investors around the country are deciding which stocks to include in their portfolios. This can be a very daunting task, as the public markets provide access to thousands upon thousands of companies. However, sticking to a disciplined approach when building a portfolio is essential in bringing you closer to financial independence. In this article, I will describe three stocks that investors should consider when [building a portfolio](#).

Start with companies with a low-risk, high-reward profile

The basis of your portfolio should consist of companies that are relatively lower risk but still present attractive upside potential. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is an excellent example of such a company. Bank of Nova Scotia is a member of the Big Five Canadian banks, which speaks to its quality and stability within the Canadian economy. It stands out as a leader among its peers in that it has the greatest exposure to countries in the Pacific Alliance. This could be the catalyst to its future growth.

Bank of Nova Scotia stock has performed well this year, gaining about 24% when accounting for dividends. This outpaces the **TSX** by 10%. Despite this impressive growth, Bank of Nova Scotia still trades below its average historical price to book ratio of two (currently at 1.46). The stock also offers investors a forward dividend yield of 4.40%, with a payout ratio of 58%. There is a lot to like in this company.

Add dividend companies to provide more stability

After building the heart of your portfolio, it would be wise to add some extra stability. [Dividend companies](#) have been shown to perform better during market downturns than growth stocks. **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is an example of a top-notch dividend company in Canada. The company holds the second-longest active dividend-growth streak in the country at 47 years. This means that Fortis's management team has managed to allocate capital sufficiently to maintain dividend increases through several market downturns.

Year to date, Fortis stock has gained about 7%. Like Bank of Nova Scotia, Fortis trades at a price to book ratio under two, making it a clear value play. The stock currently offers investors a forward dividend yield of 3.68%. Although its payout ratio is considerably higher (73%), the company's long history of dividend increases should allow investors to remain confident in its dividend potential.

Round off your portfolio with high-growth stocks

Finally, you should consider adding a couple companies that have the potential to give you 10 times gains. With these stocks, a little is all you need to make it big, so don't go into them recklessly. An example of a company that could give investors 10 times returns from today's prices is **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). The company provides merchants of all sizes a platform to operate online marketplaces. Currently, more than one million merchants use Shopify to power their businesses.

Shopify stock has struggled this year, gaining only 5%. Although this gain puts the stock on pace for another year of double digit growth, it would be considerably less than its average annual gain of 89%. However, Shopify's financials remain very attractive. In its [latest quarterly report](#), the company announced that it had seen its Q1 revenue increase 110% year over year. Shopify stock has been a beast since its IPO, and this could very well still be the beginning of its growth story.

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6. TSX:SHOP (Shopify Inc.)

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