



## New Investors: 2 Top Canadian Stocks for Steady Appreciation

### Description

New investors had better get used to elevated levels of [volatility](#) in the second half of 2021. Undoubtedly, the **TSX Index** has been a pretty smooth ride. It's offered steady appreciation for those who owned ETFs or funds that track it. But underneath the hood, there have been [corrections](#) that rolled through various sectors. Undoubtedly, rolling corrections offer a great opportunity to Foolish stock pickers who can buy the dips and sell the peaks.

For those who want to smoothen the ride, there are names out there that can offer an even smoother ride versus the broader indices, which seem way overdue for a correction or at least choppy waters. Indeed, it's been a while since we've had a 10% correction. Heck, it's even been a while since the markets plunged 5% from peak to trough!

Still, defensive investors know not to get fooled (lower-case "f") by calm, as it could easily precede a violent storm. As such, proceeding forward with caution seems prudent. That doesn't mean doubling down on utility stocks in favour of your cyclical, tech, and reopening stocks. Rather, it means paying a bit more attention to the unloved steady appreciators with low betas.

### Smart-beta plays: Perfect Canadian stocks for new investors

Such names will be little-rattled should these calm waters roughen into the autumn, a time when investors return from their vacations and volumes really start to ramp up, potentially to the downside.

Without further ado, consider **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)) and **Constellation Software** ([TSX:CSU](#)), two steady appreciators that can outpace the **TSX Index** while exhibiting less volatility. Waste Connections and Constellation boast betas of 0.65 and 0.75, respectively. That means they're less volatile than the broader indices. Moreover, with 23% and 25% in gains year to date, both names are surging at a rate quicker than the TSX Index, which is up 17%.

Less volatility, more gain? Sound too good to be true? It's not, with the following two "smart beta" names. But are valuations too frothy here? Let's have a closer look.

## Waste Connections

Waste Connections is probably one of the best stocks for all weathers. It's a defensive in that demand for trash collection will remain steady during times of recession or depression. In times of economic prosperity (think the Roaring Twenties), the company also has a lot to gain, as booming demand for various goods and services means more discretionary packaging that needs to be tossed or recycled.

As consumers continue spending, Waste Connections will be poised to cash in, as it turns trash into cash. The steady appreciator has enjoyed a relatively smooth ride over the past five years, surging 135%. The name goes to show that you don't need to sacrifice return to play defence.

At 53 times earnings, though, shares aren't cheap. If shares were to pull back, I'd pounce. For now, the name may be worth adding to your watchlist.

## Constellation Software

Constellation Software is a slightly bumpier ride than Waste Connections. But it's capable of far greater growth with its proven growth strategy of acquiring promising software firms in the private markets. The stock has soared over 280% in the past five years and doesn't look to be about to slow down — at least not anytime soon.

Despite its size (\$43.4 billion market cap), the company's growth strategy still appears to be paying huge dividends. Moving forward, new investors can expect more of the same from the steady appreciator. Like Waste Connections, Constellation isn't cheap at nearly 100 times earnings. While I'd prefer buying the name on dips, I'm not against getting some skin in the game at these prices.

### CATEGORY

1. Investing

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1. NYSE:WCN (Waste Connections)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:WCN (Waste Connections)

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