New Investors: Start a Portfolio With These 3 Stocks

Description

Your first days or even months of your investing journey can be very confusing times. There are so many stocks to consider and a lot of different metrics associated with each stock. Before long, new investors could find themselves overwhelmed by the vast amount of information available to them. In this article, I'll try to break things down for you. I'll discuss certain things to consider when buying a stock and how you could create your first investment portfolio.

Start with one of the banks

The Canadian banks are very popular among investors. This is because the Canadian banking industry is very highly regulated. That has allowed the industry leaders to establish very formidable moats. As a result, smaller banks within Canada have a very difficult time surpassing the industry leaders.

It's also a great time to buy bank stocks in general. Interest rates are expected to increase this year. That creates more favourable environments for bank stocks to operate in. Historically, banks have seen an expansion in profit margins as interest rates increase.

Of the Big Five Canadian banks, my top stock pick is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). It is known as Canada's most international bank, with 2,000 branches and offices across 50 countries. In addition, it's uniquely positioned for growth via its prominent presence in the Pacific Alliance. Bank of Nova Scotia is also a solid dividend stock, having paid a dividend to shareholders for the past 189 years.

Add solid Dividend Aristocrats

Next, investors should look to build a solid core of holdings composed of Dividend Aristocrats. In Canada, these are companies that have been able to increase dividend distributions for at least five years in a row. Companies that are able to do this suggest that they have excellent capital-allocation strategies, which should help the stock weather periods of uncertainty.

Fortis (TSX:FTS)(NYSE:FTS) is one of the best Canadian Dividend Aristocrats around. It has managed to increase its dividend distribution in each of the past 47 years. That gives it the second-longest active dividend-growth streak in Canada. Its dividend-growth streak is so impressive that it is a decade and a half longer than the next best company. Fortis also offers investors an attractive forward dividend yield of 3.65%.

Look for blue-chip growth stocks

Once you've established a core of solid dividend stocks, it would be a good idea to add some stocks that lean more towards growth. It's very easy to go about this incorrectly, so investors need to be very cautious about which growth stocks to include in a portfolio. One way to go about finding the right growth stock for your portfolio would be to look through the **S&P/TSX 60**. This is a list of 60 large companies that trade on the TSX, that represent leading industries in Canada.

One stock investors should consider is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). It operates a portfolio of assets worth more than $690 billion. That makes it one of the largest alternative asset management firms in the world. Since August 1995, Brookfield stock has generated an average annual return of 15.4%. Over the same period, the TSX has returned 5.8% per year on average.

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