This Beginner-Friendly Stock Could Outperform “Sexy Stocks” in 2022

Description

Beginner investors who were planning on getting started investing this year should continue as planned. The recent market correction has rattled many. With ongoing COVID risks, rate-hike jitters, and the crisis unfolding in Ukraine, it’s a tough time to hit that buy button — especially if you’re a beginner looking to buy your first-ever stock.

Indeed, I’d imagine that the high inflation rate is a top reason why many new investors are looking to the equity markets. With inflation acting as some punishment for savers, there has never been a better time to dip a toe into equities. That said, if it’s your first time getting into stocks, you should know that you don’t have to invest in the choppy stocks or cryptocurrencies touted by the talking heads on TV. If anything, it’s better to invest in the lesser-loved, boring stocks that have held their own amid recent market turbulence. You probably won’t hear much of them on TV. But they’re intriguing names that can help new investors have peace of mind.

They can give you an excellent shot to outpace inflation en route to a real return. That’s what investing is all about — obtaining a return that you deem is great relative to the risks that you’ll have to take on.

With a risk-off sentiment, you’ll miss the sharpest bounce backs in the most battered of growth stocks, but arguably, your top goal, as a beginner, should be to not scare yourself out of the markets, as a vast majority of the tech sector is already in a horrific bear market of its own.

Stick with the basics and don’t get too excited with short-term moves!

For new investors, your new stocks should be easy-to-understand companies that are also relatively simple to value. The price-to-earnings multiple is a tool that investors can use to evaluate companies. Of course, lower price-to-earnings metrics mean lower growth. And if they’re too low, you could be looking at a value trap with earnings that are likely to decline.

That’s why it’s vital to view the popular beginner metric as just one of many tools to help you value a firm. Although the P/E multiple oversimplifies the valuation process, it can help keep new investors out of trouble. If a company lacks a P/E, that could be a cause for concern in a rising-rate environment. No profitability could mean solid sales growth, and this sales growth could allow one to forgive a firm for a lack of earnings.

In 2020, many didn't really care too much about a lack of earnings, as the price-to-sales (P/S) multiple became the go-to metric. In 2022, earnings matter much more and growth rates alongside P/S ratios no longer cut it.

Focus on earnings and learning the ropes with the valuation process

Think of firms like **Fortis** (TSX:FTS)(NYSE:FTS) as top candidates for a beginner portfolio. It's a utility company that will continue business as planned, regardless of if we're headed for a recession or not.

As a beginner, please insist on real earnings in the now. Insist on P/E ratios that aren't well above industry or historical averages. And also ensure that a firm's fundamentals remain sound with a growth plan that hasn't decayed as much, if at all, over the past several quarters.

Fortis is a defensive that can continue hiking its dividend payout in the worst of times. When the economy is booming, and geopolitical crises are off the table, Fortis will also be solid. Lack of surprise is what you get from Fortis. In an era where surprises and black swan events are always waiting around the corner, I'd argue that Fortis is a stock that should command a much higher P/E ratio.

With a 3.6% dividend yield, Fortis can help you stay ahead of inflation, while savers take a 4-6% hit to the chin as inflation persists through yet another year. At 23 times earnings, FTS stock isn't cheap, but it's also not expensive, given the risk-off nature of the investment and the firm's lower sensitivity to current macro crisis conditions.

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