



3 Stocks That Could Serve as the Foundation for Your Portfolio

Description

If you're struggling to think of how to [build a portfolio](#), think of it like building a house. The very first thing you'll want to find are companies that can serve as the foundation. The question then becomes, "What characteristics should I look for in a foundational stock?" I would argue that there are three things that investors should look for.

First, the companies you chose for these important positions should be recognizable by many people. Second, they should be able to serve a large portion of the population. Finally, they should lead their respective industries. In this article, I'll discuss three stocks that could serve as the foundation of your portfolio.

Start by buying one of the banks

Buying one of the Canadian banks is a great place to start. This industry is very highly regulated, which makes it difficult for new and smaller competitors to displace the industry leaders. As a result, the five banks that sit atop the industry have managed to establish formidable moats. In addition, banks are operating in an excellent environment today. Historically, it's been found that banks experience a widening in profit margins, as [interest rates increase](#).

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is my top choice among the Big Five Canadian banks. What interests me about this company is its focus on international growth. With over 2,000 branches and offices across 50 countries, Bank of Nova Scotia is Canada's most international bank. This stock is also an excellent dividend company, which may make it more appealing to investors. Bank of Nova Scotia has managed to pay a dividend in each of the past 189 years.

This industry isn't going to disappear anytime soon

As it stands, there isn't a viable way to transport large amounts of goods over long distances if not via rail. Because of this, I remain confident that Canada's railway companies will continue to see high demand in the coming years. The Canadian railway industry is highly concentrated. Two companies

have managed to establish a very strong duopoly and have become two of the most recognizable companies in the country.

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is an excellent company to hold in your portfolio. It is the largest railway company in Canada, operating nearly 33,000 km of track. An outstanding dividend stock, Canadian National has managed to increase its dividend distribution in each of the past 25 years. Just as the railway industry has been referred to as the backbone of Canada's economy, it can serve a similar role in your portfolio.

Don't shy away from this growth stock

Generally, I would tell new investors to avoid buying shares of growth stocks until they become more familiar with how the market works. However, I think **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is a special case. It is a clear leader in the global e-commerce industry, providing merchants of all sizes with a platform and all the tools necessary to operate online stores.

Shopify may not be the most widely used website building platform, but it boasts the most impressive customer list, in my opinion. Shopify has managed to attract not only the first-time entrepreneur but also large-cap companies like **Netflix** and **Tesla**.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jedlloren
2. kduncombe

Category

1. Investing
2. Stocks for Beginners

Date

2025/09/06

Date Created

2022/04/07

Author

jedlloren

default watermark

default watermark