New Investors: Don't Worry. Blue Chips Can Beat the Market, Too

Description

As a new investor, it's very easy to get sucked into growth stocks thinking that's the only way to produce market-beating returns over time. However, that couldn't be further from the truth. In reality, what determines whether a stock beats the market simply relies on a company's ability to execute and impress shareholders. In this article, I'll discuss three blue-chip stocks that you could buy in order to help your portfolio beat the market over the long term.

Look at this dividend stock

For the purpose of this article, I'll be looking at stock performances over the past five years and comparing that with the growth of the **S&P/TSX** over the same period.

The first example of a blue-chip company that new investors should consider buying today is **Canadian National Railway** (TSX:CNR)(NYSE:CNI). This is a company you should be familiar with, as it operates nearly 33,000 km of track spanning from British Columbia to Nova Scotia.

A bona fide dividend stock, Canadian National is one of 11 companies to hold a dividend-growth streak of at least 25 years. Despite those consistent increases in its dividend distribution over the past two decades, Canadian National's dividend-payout ratio is still very low (37.5%). That suggests that the company could continue to comfortably increase its distribution over the coming years. In terms of stock performance, Canadian National has gained 42.9% (dividends excluded) over the past five years. In contrast, the TSX has gained only 26.1%.

This financial company has no problem beating the market

The Canadian stock market features many outstanding financial institutions that are worthy of an investment. One of the most intriguing companies in that sector is perhaps **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). Through its subsidiaries, Brookfield operates a diverse portfolio with about $725 billion of assets under management. It has exposure to the infrastructure, real estate, renewable energy, and private equity markets.

Another Canadian Dividend Aristocrat, Brookfield has managed to increase its dividend distribution for the past nine years. This stock may be one of the most underappreciated performers on the TSX today. Over the past five years, Brookfield stock has gained 69.5%. Again, that compares to only a 26.1% increase in the value of the TSX over the same period.

If you're interested in a bit more growth

I understand that it's unrealistic to expect new investors to *only* buy shares of dividend stocks. Fortunately, there are blue-chip growth stocks that are worth considering. Take **Constellation Software** (TSX:CSU) for example. Founded in 1996, this has been an outstanding stock to hold since its IPO. For those that are unfamiliar, Constellation Software is an acquirer of vertical market software companies. It has a reputation for being able to turn good businesses into exceptional ones.

Over the past five years, Constellation Software has returned an astonishing 180%. That's nearly seven times the performance of the TSX over the same period. As a tech stock, this could be more volatile than the other two companies listed in this article. However, if you're interested in a bit of growth in your portfolio, Constellation Software is definitely a company deserving of your consideration.

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2. NYSE:CNI (Canadian National Railway Company)
3. TSX:BN (Brookfield)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:CSU (Constellation Software Inc.)

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