



## Blue Chips or Small-Cap Stocks: What's the Best to Buy for New Investors?

### Description

If you're a new investor, you'll likely wonder, at some point, what the best stocks that you should look to buy for your portfolio are.

There are many investors who are drawn to small-cap growth stocks, as they're looking to make massive gains when they invest their cash. On the flip side, there are also many investors that put off investing, because they are worried about the risk that comes with it.

If you're considering blue-chip stocks or small-cap stocks but don't know which would be better for your portfolio, the answer is that you'll want a mix of both. Here's what each type of stock offers investors and how you can decide how much of each of these stocks to buy.

## Are small-cap growth stocks the best to buy for new investors?

Small-cap stocks typically offer a tonne of potential. However, if you aren't careful, these stocks can also have a lot more risk. You'll certainly want to own high-quality small caps, though, because, over the long haul, they have historically outperformed [large-cap stocks](#).

In addition, you can often find better deals with small-cap stocks. Not only do many funds forgo investing in smaller stocks, meaning there is less capital available to drive up their valuations. However, in addition, without many institutions buying these stocks when they're cheap, they can often end up offering some incredible value for long-term investors who know what to look for.

Therefore, if you can focus on finding the best small-cap stocks with the most exciting long-term potential, the returns you can earn will often outweigh the fact that these stocks come with more risk.

So, as always, the key is to find companies with strong growth potential and attractive economics. Most importantly, though, you'll also want to buy these stocks as cheaply as possible to give yourself a massive margin of safety.

## Blue-chip stocks are some of the best to buy for the core of your portfolio

Blue-chip stocks are large-cap companies with highly robust businesses that are often at the heart of our economy.

Some of the most popular blue-chip stocks in Canada, such as **BCE** and **Enbridge**, are both crucial to the Canadian economy. Enbridge, for example, transports roughly 30% of all the oil produced in North America. And BCE offers communication services to a massive portion of Canadian consumers and businesses.

Therefore, because these blue-chip stocks are so massive and their operations are so diverse, the long-term risk that these stocks have is minimal.

This is why all Canadian investors will want to have at least some exposure to blue-chip stocks. Because of their safety and, in many cases, their attractive dividend yields, they are the perfect core stock to buy and hold for years.

In fact, many blue-chip stocks have gained slightly in value this year at the same time that small-cap growth stocks have been selling off.

Therefore, by having an attractive mix of both, your portfolio can perform well in many different market conditions. And if you [use the pullback](#) in markets to add to your positions, you'll set yourself up for massive gains when the market eventually rebounds and starts to rally.

## Bottom line

The most important factor when it comes to buying stocks is to find the highest-quality businesses that have years of growth potential. Owning an attractive mix of each type of stock is crucial too, but only if the companies you decide to buy are already some of the best of the best.

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