



Beginners: 2 Market-Beating Stocks Just Getting Started

Description

It doesn't have to be hard to beat the TSX Index over a long period of time. The tech-light, energy-heavy index may be performing well this year. However, as energy prices slip (WTI just fell below US\$90 per barrel), and financials feel the heat of the coming economic slowdown, it's the TSX that may be in for sub-par returns. For [new investors](#), it may be wise to go for the S&P 500, as it looks to catch up to the TSX for the year. Both indices are still in a correction, with the S&P 500 that's gaining more positive momentum.

With such a strong U.S. dollar (the loonie is worth US\$0.77 today), Canadians shouldn't feel the need to make the swap to by securities south of the border. There's still a ton of great value to be had in Canada. It's just underrepresented by the broader TSX Index. Undoubtedly, this climate seems ripe for stock-picking one's way to above-average results. And in this piece, we'll have a closer look at two proven market beaters that are likely to continue raising the bar over the next 18 months and beyond.

Consider shares of **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) and **Constellation Software** ([TSX:CSU](#)).

Brookfield Asset Management

Brookfield Asset Management is a legendary alternative asset manager with a more than \$100 billion market cap and over 100% in gains over the last five years (not including dividends). Undoubtedly, the appetite for real assets, like infrastructure, renewable power assets, toll roads, pipelines, and real estate could stay in high demand, as investors look to park their cash in assets less correlated to the broader market.

With a legendary management team led by CEO Bruce Flatt, Brookfield ought to be a core holding in any Canadian investors' portfolio. During the recent market selloff, the stock fell more than 26% from peak to trough. The stock is now in the process of recovering and could test new highs, as investors move beyond recession fears.

Looking ahead, management sees returns in the range of 12-15% for its investments. I think they're

more than capable of hitting the high end of the target. If they do, BAM shares could continue crushing the broader TSX Index.

At writing, the stock trades at one times price to book (P/B), which is well above the industry average P/B of 3.7. With a 1% dividend yield (it's small, with growth potential), I'd look to be a buyer right here.

Constellation Software

Constellation Software is another proven TSX beater, with an astounding 212% returns posted over the last five years. Meanwhile, the TSX Index clocked in just 30% returns.

Constellation is in the business of acquiring and bringing out the best in small-cap and startup software companies. Management does their due diligence and only makes deals where considerable value can be created. With the tech market in a rut, Constellation has an opportunity to ramp up its M&A. The \$45.5 billion company has a remarkable 15.8% return on equity, which is well above the 12.4% software industry average.

Simply put, management has found a way to generate incredible results for investors over the long run. And I think they can perform in any type of environment.

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1. Investing
2. Stocks for Beginners

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2. TSX:BN (Brookfield)
3. TSX:CSU (Constellation Software Inc.)

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