Beginners: 1 Safe Canadian Stock to Buy and Hold Forever

Description

2022 has been a stressful year for financial markets so far. The ongoing macroeconomic uncertainties have worried investors worldwide. The **S&P/TSX Composite Index** is down by 14.45% from its 52-week high as of this writing, reflecting the state of the Canadian economy this year. People new to investing might feel intimidated by the prospect of investing in a bear market.

Despite the challenging market environment, not all stocks pose a considerable risk to your investment capital. If you are searching for stocks for beginners and prefer investing in a safe stock as a way to dip your feet, there are a few equity securities you can consider.

Dollarama

Dollarama (TSX:DOL) is one of the few stocks that have managed to remain resilient this year and outperform the broader market.

As of this writing, Dollarama stock trades for $76.67 per share, up by almost 21% year to date. In contrast, the S&P/TSX Composite Index is down by 10.52% year to date. Dollarama stock has not just remained resilient. The stock has outperformed the broader market by a significant margin so far.

Dollarama is a $22.01 billion market capitalization dollar store retail chain headquartered in Montreal. It owns and operates a chain of 1,431 value retail stores across Canada. Besides the metropolitan areas, Dollarama has a substantial presence in many small- and mid-sized cities throughout Canada.

The company’s domestic business has been performing well and growing over the years. Additionally, it has a controlling interest in Latin America-based value retailer, DollarCity.

What makes it a safe stock for beginner investors?

High inflation and rising interest rates are two primary reasons for the current market volatility. The situation will likely hurt economic growth in the short term but help the economy improve in the long run. While inflation is cooling down, it is a slow process. In the meantime, consumers are looking for ways to cut their expenses. Many people tend to eliminate discretionary expenses to save money.

Dollarama offers essential products and consumable items at more affordable prices to its customers. The company's sales remain largely unaffected due to its ability to provide essential items at more affordable prices, especially during economic downturns.

The company's business model makes it a safe investment, as it continues to outperform the Canadian benchmark index, despite fears of a looming near-term recession.

Foolish takeaway

Dollarama stock has delivered positive returns this year, beating the broader market. However, that is not the only reason to consider it a good investment for a beginner investor. Dollarama stock has yielded double-digit positive returns each year since 2010, except for 2018. Its returns over the last decade have been 692%.

The company aims to open 600 more stores by 2031, and it has plenty of growth runway available to capture a greater market share in the domestic market. As its domestic presence grows, the company will likely expand its international operations by adding more locations to DollarCity in the coming years, unlocking more value for investors.

Uncertain economic environments result in a growing demand for safe stocks like Dollarama. Despite the gains it has posted this year already, it could be an excellent investment to consider adding to your beginner portfolio.

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