Beat the Market? 2 Trusty TSX Stocks With a Proven Track Record

Description

Markets changed their course and took a U-turn around this time last year. Record-high inflation and rapid rate hikes weighed on TSX stocks, causing one of the most unpleasant bear runs. However, some names stood tall and notably outsmarted broader markets. Here are two of them that played well and could continue to outperform.

Dollarama

Very few stocks manage to defy broader market pressures, and Canadian value retailer **Dollarama** (TSX:DOL) was one of them. While the **TSX Composite Index** has dropped 6% this year, DOL stock has rallied a notable 30%. Whether it's inflation woes or rising interest rates, Dollarama stock has played immensely well this year.

Dollarama has shown decent margin stability and compelling revenue growth this year. Generally, companies witness pressure on margins and declining financial growth amid rising interest rates. So, the current outperformance and financial growth highlight DOL's business strength.

Interestingly, even if inflation continues to remain higher next year, Dollarama could continue to play well. That's mainly because of its core competitive advantages. It offers a unique value proposition to customers that's especially more valuable in inflationary times.

Moreover, Dollarama has a significantly large presence in Canada, with more than 1,400 stores. That's way higher than peers. Its wide array of merchandise procured from cost-efficient vendors bodes well for its business growth.

Note that Dollarama stock has fared fine in bear as well as bull markets. It has returned over 700% in the last decade, remarkably outperforming broader markets. So, DOL stock is an apt bet for all kinds of investors, and has the potential to outperform in all kinds of markets.

DOL stock is currently trading close to its all-time highs and does not look cheap from a valuation angle. However, its strong business execution and outperformance justify the premium valuation. It could continue to outperform in 2023, driven mainly by stellar earnings growth potential, strong execution, and macro challenges in the broader markets.

Intact Financial

The year 2022 has indeed been a brutal one for the markets. Accelerated interest rate hikes and geopolitical uncertainties brought many growth stocks down to their knees. But those who have a proven track record maintained their strength in these bear markets, too. **Intact Financial** (TSX:IFC) has been one of them. Canada's largest property and casualty insurer continues to grow steadily despite a challenging macro environment.

IFC stock has gained 20% this year, comfortably outperforming its peers and broader markets. And this year's outperformance was not a one-time occurrence. Intact has played well in the long term as well, returning 110% in the last five years and 300% in the last decade.

Scale brings an enormous advantage to Intact Financial as it has a leading 20% market share in the Canadian insurance market. Plus, its strong, in-house underwriting bodes well for its financial growth.

Intact's steady earnings growth facilitates stable dividend growth. IFC currently yields 2%, lower than the broader market average. However, it has increased shareholder payouts for the last 17 consecutive years. Driven by stable dividends and decent earnings growth, Intact will likely keep beating markets in the long term.

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2. TSX:IFC (Intact Financial Corporation)

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