How I’d Invest $1,000 in TSX Stocks for 2023

Description

We are entering 2023 with pretty much the same concerns that weighed on markets this year: higher interest rates and unwavering inflation. So, even if markets are not so optimistic for the next year, it should not postpone your investments. You just have to be more selective with stocks in these markets.

Diversification indeed goes a long way. And that does not mean you should invest in multiple stocks in various sectors. In the current environment, less exposure to growth stocks and higher exposure to dividend stocks or defensives will likely play well. So, here is a portfolio idea of some diversified TSX stocks for 2023.

Canadian Natural Resources

Canada’s largest oil and gas producer **Canadian Natural Resources** (TSX:CNQ) is a top energy bet for long-term investors. It has returned 50% this year, including dividends.

As oil and gas prices marched higher this year, energy producers saw massive earnings growth. Canadian Natural was no exception. It saw stellar financial growth, which ultimately enabled higher dividends this year.

Energy investments could be highly risky for novice investors. However, CNQ is a relatively better bet with its scale, juicy dividends, and strong execution. Note that CNQ has increased shareholder payouts for the last 23 consecutive years — a rare feat in the volatile energy sector. So, to fit in the above-mentioned diversified portfolio criteria, CNQ could be a combination of growth as well as a dividend pick.

Fortis

Top utility stock **Fortis** (TSX:FTS) could be a top defensive bet for conservative, income-seeking investors. It currently yields 4%, marginally higher than TSX stocks.

Utilities see stable demand for their services irrespective of the broader economic cycles. So, they continue to grow steadily in economic booms as well as in recessions. Fortis has managed to grow its earnings by 4% compounded annually in the last decade.

Driven by this earnings visibility, Fortis pays a consistently growing dividend to shareholders. As a result, it has increased shareholder payouts for the last 49 consecutive years.

If you assess FTS stock for a shorter time period, it might disappoint. However, it has created a decent shareholder value in the long term due to its stable dividends and steady capital appreciation.

Constellation Software

Tech stocks generally grow faster than broader markets and create immense value amid bull markets. **Constellation Software** (TSX:CSU) is one name that has stood strong in bull as well as in bear markets. It has lost 5% this year, while peer TSX tech stocks have lost 30-50%. In the longer term, CSU stock has returned 1,500% in the last decade.

Large addressable markets, a diversified revenue base, and consistent industry-leading profitability have played well for CSU over the years. Plus, its differentiated business model of having a fleet of vertical market software companies stands tall among its peers.

CSU has been quite resilient this year amid one of the concerning bear markets of the recent past. Therefore, its current premium valuation seems justified. The stock could rally higher, as the macro picture relatively improves next year.

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:FTS (Fortis Inc.)

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