



Got \$1,000? 3 Canadian Stocks to Buy and Hold Forever

Description

Are you looking to start investing with \$1,000?

If so, you've got many investments to choose from. Between funds, individual stocks, bonds and real estate, there's a virtual buffet of choices out there. At times, you can feel overwhelmed with all of the options, like a kid in a candy store.

Generally speaking, financial advisors recommend that new investors start out with low-cost index funds. These funds hold diversified portfolios of securities, limiting your risk. Buying them is a solid idea, but sometimes, the more bold among us wish to try our hands at picking individual stocks – a riskier but potentially more rewarding strategy. If that describes you, then read on, because I will reveal three stocks that provide an attractive risk-to-reward proposition.

CN Railway

The **Canadian National Railway** ([TSX:CNR](#)) is a Canadian railroad stock that I held for several years. I bought it in 2018 and sold it near the start of this year, realizing a tidy profit. I did not sell CNR because I lost faith in the company, but because I had other opportunities I wanted to buy. Had funds not been limited, I would have kept holding CNR – potentially forever.

Why do I like CNR so much?

First off, it's the only North American railroad that touches three coasts, giving it an edge in certain long distance shipping routes.

Second, it has a lucrative business shipping Canadian crude ("crude by rail") into the United States.

Third and finally, it operates in an industry without much competition (there are only two major railroad companies in Canada), giving it a solid economic moat.

The downside with CNR is that its stock is a little pricey. The company trades at 23 times earnings and

seven times sales, which is a little steep for a mature company with limited growth potential. You pay a price for quality, though, and CNR has quality in spades.

Alimentation Couche-Tard

Alimentation Couche-Tard ([TSX:ATD](#)) is a Canadian retail store company. It is best known for its chain of Circle K gas stations. ATD bought the brand from a U.S. company; it took over most of the physical locations from **Irving**.

What makes ATD a good buy?

First, it's partially a play on the long-term strength in oil prices we are now observing. Alimentation earns a portion of its money by collecting some of the revenue on oil sold outside at the pumps. The higher the price of oil goes, the more lucrative this business becomes, and [oil prices](#) are relatively high now.

Third, ATD's management has a proven track record. They grew their business at a steady clip over the years, but they didn't borrow excessively to do it. As a result, they have achieved both growth and a strong balance sheet. A rare combination.

TD Bank

The **Toronto-Dominion Bank** ([TSX:TD](#)) is [a Canadian bank](#) that has some big deals coming up. It's working on buying **First Horizon**, a U.S. regional bank, for \$13.4 billion, and **Cowen**, a U.S. investment bank, for \$1 billion. Collectively, these two deals will add about \$1 billion to TD's earnings power when they close. So far, the First Horizon deal has moved along slowly, but the Cowen deal appears likely to close fairly soon. Even without these deals, TD was the fastest-growing Canadian bank last quarter, and has a cheap valuation despite its growth. A solid stock I plan on holding long term.

CATEGORY

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2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:TD (The Toronto-Dominion Bank)

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