



Just Starting to Invest? 3 Smart Stocks to Buy in February 2023

Description

Are you just starting to invest? If so, you'll be wanting a list of stocks to invest in. Most portfolio managers recommend that individual investors buy index funds, because they reduce the risk inherent in investment. However, it doesn't hurt to have an individual stock or two in your portfolio, provided you weigh them carefully. With that in mind, here are three smart beginner stocks to buy in February 2023.

Royal Bank

The **Royal Bank of Canada** ([TSX:RY](#)) is Canada's biggest bank. In fact, it is Canada's biggest company by market cap. Over 150 years old, Royal Bank has stood the test of time. Though the mere fact that a company has lasted a long time doesn't make it a great buy, of course. What goes up must come down, eventually. However, there are reasons to think that RY could bag another few decades of solid performance.

First off, RY is very profitable. In the most recent quarter, it had a 32.5% net margin and a 16.7% return on equity. Net margin is net income divided by revenue, and return on equity is net income divided by shareholder equity. Both figures are high, which is good.

Second, RY has decent growth. Over the last 10 years, it has grown its earnings per share by about 8.5% per year, which is about average for a bank.

Third and finally, it's cheap. At today's prices, RY trades at only 11.7 times earnings and 8.6 times operating cash flow. Both of these ratios are way below the S&P 500's average, yet RY has strong growth and profitability. So, it may be a good investment.

Brookfield Asset Management

Brookfield Asset Management ([TSX:BAM](#)) is another [financial stock](#), in this case an asset management company. Brookfield Asset Management runs investment funds that invest money for other people. It has done pretty well in this business, purportedly having grown its funds by 16%

annualized over the last decade. One appealing thing about Brookfield Asset Management is the people it's affiliated with. Its parent, Brookfield, has Howard Marks on the team, and BAM itself is owned by Mohnish Pabrai. Both are part of [Warren Buffett's](#) circle, and they've both delivered excellent results themselves. So, BAM shareholders appear to be in good company.

Alimentation Couche-Tard

Finally, we have **Alimentation Couche-Tard** ([TSX:ATD](#)). This is a gas station/convenience store company that is best known for owning Circle K. It bought Circle K back in the 2000s from a U.S. company, and later expanded it all over Canada. Today, it's one of the nation's biggest gas station chains.

What does ATD have going for it?

First, it sells gasoline, so it benefits from the current strength in oil prices. Oil prices were very high last year. They're not as high this year, but they're still high by the standards of the last five years, and China is re-opening while OPEC is cutting output. The fundamentals for high oil and gasoline prices are there.

Second, ATD is run by very good capital allocators. The company's managers have expanded aggressively, yet they haven't taken on too much debt to do it. They've grown through prudent deals and re-investing earnings. If they keep this up, then ATD should keep delivering good results in the future.

CATEGORY

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2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:BAM (Brookfield Asset Management)
3. TSX:RY (Royal Bank of Canada)

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