Why 50% of My Portfolio Is in These 3 Stocks

Description

In general, I'm a big fan of diversification. That is to say, holding multiple stocks instead of just one. About 30% of my portfolio is in broad-market index funds, which are by far the most diversified assets money can buy. New investors should aim to invest in diversified portfolios, because they reduce the risk inherent in investments.

In my case, I choose to obtain diversification through exchange traded funds (ETFs). The individual stock portion of my portfolio, however, is concentrated. I only hold eight individual stocks, and about 50% of my portfolio is in just three of them. In this article, I will explore the three stocks that make up 50% of my investment portfolio.

Google

Alphabet (NASDAQ:GOOG) is the company that owns Google. I'll simply refer to it as "Google" in this article because that's what most people know it as.

GOOG is a company that needs no introduction. It owns the famous Google Search engine, of course. It also owns Youtube, Android, and a new cloud business that is inching closer and closer to profitability every quarter.

Google stock got beaten down last year, but I didn't start buying it until it had already fallen quite a bit. In past years, I thought that Google was a good company, but I didn't buy it because the stock was too expensive. Last year, that changed. At one point, you could buy Google for $85 – just $30 higher than its price in the COVID-19 market crash. With such prices becoming available, I grabbed the stock, which is currently about 20% of my portfolio.

Google released its fourth quarter earnings just last week. The report missed analysts' estimates on both revenue and profit, but it did contain some positive notes. First, the cloud business saw its operating loss cut by nearly a half. Second, the revenue growth was positive, which is better than what other tech companies could achieve in the same period. On the whole, I did not consider Google's earnings release to be a disaster, and I continued holding the stock after it came out.

TD Bank

The **Toronto-Dominion Bank** (TSX:TD) is a bank stock that I've held for several years now. I've achieved decent gains on the stock, and I have no plans of selling any time soon. This stock has many things going for it. First, it's pretty cheap, trading at only 10.5 times earnings. Second, it has decent growth, having grown its revenue by 7% and earnings by 9.5% annualized over five years. Third, it has two deals in the works to buy the U.S. banks **First Horizon** and **Cowen**. The U.S. banking deals are still awaiting regulatory approval, but they could pay off if they get the go-ahead, as they will add a lot in earnings to TD's bottom line.

Alibaba

Alibaba Group Holding (NYSE:BABA) is a Chinese technology stock that I've been holding for over a year. It didn't do well immediately after I bought it, but it has been performing better lately. The stock is up 15.6% year to date, which is better than the markets as a whole. Why is BABA doing well this year? First, China is re-opening after years of COVID lockdowns, which is expected to boost economic growth. Second, Ant Group (a company Alibaba owns 33% of) has gotten approval from the government to expand its business. Third, BABA stock was quite cheap at the start of the year, trading at only 10 times cash flow, so investors may have smelled a bargain. Today, Alibaba isn't quite the bargain it once was, but I continue to hold for now.

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1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:GOOG (Alphabet)
2. NYSE:BABA (Alibaba Group Holding Limited)
3. TSX:TD (The Toronto-Dominion Bank)

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Date
2025/07/30
Date Created
2023/02/06
Author
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