



New to Investing? Here Are 3 Starter Stocks for Your Portfolio

Description

Taking ownership of your finances is one of the best decisions anyone can make. Doing so with discipline over a long enough period can help you reach financial independence, allowing you the life you want to live. However, creating a well-balanced portfolio can be difficult. There are many things that investors need to consider. In this article, I'll discuss three types of stocks that you should include in your portfolio. Doing so will help you diversify, giving yourself the best chance to succeed.

Start with companies that have a proven history of compounding returns

The first thing investors should do is build a core holding of companies that have proven themselves in the market. These will often be blue-chip companies that may or may not pay dividends. In Canada, the financial, utility, and industrial sectors feature many great companies that could be considered for your portfolio. In this article, I'd like to point out **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). It is an alternative asset management firm focused on real assets, such as real estate, infrastructure, and utilities.

Brookfield Asset Management has been a very successful company since its IPO. Operating a geographically diverse portfolio of assets across many industries, Brookfield stock has gained more than 15.7% on an annualized basis since August 1995. While its business isn't one that will attract investors looking for flashy companies, Brookfield does often come out with exciting announcements. Earlier this year, the company stated that it would be partnering with **Tesla** to create the [largest sustainable neighbourhood](#) in North America.

Add a blue-chip company with growth potential

After forming the foundation of your portfolio, it would be a good idea to add companies that can give a bit more of a growth boost. Of all the blue-chip growth companies in Canada, my top choice is **Shopify** (TSX:SHOP)([NYSE:SHOP](#)). A company that needs no introduction, Shopify provides merchants with a

platform and all the tools necessary to operate online stores. The company caters to everyone from the first-time entrepreneur to large-cap companies like **Netflix**.

Despite its large size, Shopify has continued to grow at a rapid pace. In its Q1 2021 earnings presentation, Shopify reported that its quarterly revenue had increased 110% year over year. It then followed that up with a 57% year-over-year increase in its Q2 revenue. Shopify is still committed to investing back into the company and plans on being [a much larger company](#) than it is today. With exposure to the esports and cryptocurrency markets, Shopify could one day become Canada's first trillion-dollar company.

Allocate a small amount of your portfolio to potential home-run stocks

Finally, investors should allocate a small slice of their portfolio towards companies that could be home-run stocks. This can be defined by different investors several ways. To me, a home-run stock is a company that can produce a 10-fold return over the next decade. An example of such a company would be **Topicus.com** ([TSXV:TOI](#)).

Once a subsidiary of **Constellation Software**, Topicus operates a similar business. It is an acquirer of vertical market software companies, focusing on the fragmented European market. The most attractive aspect of an investment in Topicus is that the company can lean on its Constellation-heavy board of directors and potentially avoid some of the same mistakes its former parent company made in its early goings. To expect similar returns that Constellation managed to produce after its IPO may be a bit ambitious. Topicus certainly doesn't need to pull that off to make investors happy in a decade's time.

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