Beginner-Friendly Stocks to Build Your Portfolio Around

Description

Investing can be a daunting task. The premise of it suggests that one be fine withholding current pleasures for future success. It is also not a guarantee that any of your investments will work out. With that said, new investors may feel anxious seeing their portfolios fluctuate wildly one way or another. Because of this, it would be wise for newer investors to build their portfolios around companies with lower volatility. Which two companies should new investors consider for their portfolio?

A Canadian railway giant

The first company that I would suggest new investors look into is **Canadian Pacific Railway** (TSX:CP)(NYSE:CP). The industrial sector is generally one that sees less volatility, and the rail industry is among the most stable in the sector. The construction of our country relied very heavily on the railway system. It appears that this industry will remain an important one for the foreseeable future.

Canadian Pacific was founded in 1881. The company has 20,100 kilometres of rail within its network which stretches from Vancouver to Montreal, in Canada, and from Duluth to Kansas City in the United States. Canadian Pacific has continued its commitment to growing its network, and recently announced its latest acquisition.

In early October, Canadian Pacific reported its best ever third quarter and September for transporting Canadian grain. During this quarter, Canadian Pacific moved 7.72 million metric tonnes (MMT) in 2020 compared to 6.97 MMT over the same period last year. This represents an increase of 10.8%.

The company's beta stands out among its metrics. Simply put, the beta is a measure of how volatile a stock is compared to the broader market. A beta above one indicates that the company is more volatile, whereas companies that are less volatile than the broader mark will have a beta below one. Canadian Pacific's beta currently stands at 0.79.

Canadian Pacific is also a Canadian Dividend All-Star, having increased its dividend payout for the past five years. Dividend companies are often seen as more stable during market downturns, a quality that new investors may be interested in. Canadian Pacific's dividend payout ratio of 20.40% indicates that it has a lot of room to continue growing its payout in the future.

The utility sector is a recession favourite

Although dividend companies are seen as positives to have during tumultuous market conditions, some sectors stand out even more than others. The utility sector is a favourite of many because of the fact that people will continue to use, and pay for, water and electricity no matter what economic condition we find ourselves in. Within this industry, one of the top companies is **Fortis** (TSX:FTS)(NYSE:FTS).

Fortis is a leader in the regulated utilities industry in Canada. The company has operations in Canada, the United States, and in the Caribbean. All considered, Fortis has 3.3 million utility customers. The company is very diversified across its $56 billion in assets. Of this, 83% is composed of electric facilities, 16% in gas, and 1% in non-regulated energy infrastructure.

Fortis' beta is a staggering 0.08, which indicates that the company is significantly less volatile than the broader market. It is also known as being one of the most reliable dividend-paying companies in Canada. It has the second longest dividend growth streak – one that has lasted for the past 47 years.

Foolish takeaway

As a new investor, it would be wise to invest in companies that are less volatile, which will ease you in seeing your portfolios fluctuate up and down less wildly than growth stocks and more speculative investments. Canadian Pacific and Fortis both have very storied histories as reliable companies.

They both come with a relatively low beta and strong dividend payouts. These two companies would be a great start to build your portfolio around.

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Date
2025/07/02
Date Created
2020/11/23
Author
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