How a $100-a-Month Investment in Canadian Natural Resources Limited Could Turn Into $30,000 in Just 10 Years

Description

Many people are turned away from investing in the stock market because they don't think they can afford it, but the fact of the matter is that it only takes a small amount of money to get started in an investment that could grow exponentially in a few years.

Most people could certainly find an extra $100 in their budget. For you coffee drinkers out there, a trip to **Starbucks** every weekday will easily add up to $100 a month. Brew your coffee at home and instead put the $100 into a proven performer like **Canadian Natural Resources Limited** (TSX: CNQ)(NYSE: CNQ). Ten years later, you could be more than $30,000 richer.

Past performance, future potential

Canadian Natural Resources stock has returned over 225% to investors over the last 10 years, which is actually a conservative return when you compare its all-time return, which is 1200%, going back to 1999.

We are going to be conservative and look at the last 10 years because it represents a few economic cycles in terms of the oil industry. Investing in any company shortly after it becomes public can lead to huge gains (or losses) that are not necessarily representative of what to expect from a more mature company.

Assuming an average annual return of 22.5% continues for the next 10 years, by investing $100 a month (or $120 a year) into Canadian Natural Resources, assuming that the past performance repeats itself, your investment will grow to $30,283. An extra $30,000 plus in your pocket is way more exciting than any caffeine buzz.

Now, the major caveat to this argument is that in order for the returns to be a reality, Canadian National Resources has to be in a position to repeat the past. Looking at the fundamentals, it is apparent that the company is likely to repeat its past performance. In my opinion, it has the potential to do evenbetter.

Timing is everything

Canadian Natural Resources' profits are highly dependent on the price of oil, and right now it is relatively weak. Sure, there are bears out there who think the price of oil has even farther to fall, but the fact of the matter is that oil cannot fall too much further until U.S. shale oil production (which is largely to blame for the current, low price of oil) will become unprofitable and many producers will idle production. A cutback of production will mean supplies will become scarcer and the price will rise.

When the price of a company's primary product is under pressure, the next thing to consider is if the company can actually survive a bit of a downturn. In the case of Canadian Natural Resources, the answer is yes. Canadian Natural Resources is a low-cost producer with manageable debt and good cash flow, three essential characteristics for surviving a downturn. Tough times can turn out to be good times for well-positioned companies such as Canadian Natural Resources for various reasons, but one major benefit is that they can purchase the assets of companies that could not survive the difficult times, and usually for a great deal.

Canadian Natural Resources' potential to expand its asset base right now while oil prices are low and its status as a low-cost producer mean that the company is positioned to continue to create long-term value for shareholders. Even better, purchasing a stock that has upside potential when it is at a relatively low point is a surefire way to make money. No one can pinpoint exactly when oil prices will turn around, but the fact of the matter is that they will and when they do, Canadian Natural Resources stock value will follow suit. Therefore, a small monthly investment in the company could turn into a sizable nest egg in the near term.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

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