



Billionaire Bill Gates Owns Canadian National Railway Company; Should You Buy, Too?

Description

It's one of my favourite dividend stocks in Canada... and apparently Bill Gates agrees with me.

Most people know Bill Gates as the world's richest man thanks to **Microsoft Corporation**, which he built into the world's largest software company. Today, however, the technology giant represents only a small fraction of his total wealth. Over the past few years, Gates has been selling his Microsoft stake and diversifying his portfolio.

But instead of exciting tech stocks, he has been buying positions in the kinds of boring companies his friend Warren Buffett favours, such as **McDonald's Corporation**, **The Coca Cola Company**, and **Wal-Mart Stores, Inc.** Gates has taken another page out of the Buffett playbook by investing in railroads. His largest holding outside of Microsoft is the **Canadian National Railway Company** ([TSX: CNR](#))([NYSE: CNI](#)).

Since 2006, Gates has been gradually building his stake. Today, he's the company's single largest shareholder with a position valued at over US\$1.1 billion. In that time, CN has posted a total return — including dividends — over 300%, handily beating the **S&P/TSX Composite Index**.

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Source: *Yahoo! Finance*

What does Gates see in this firm? CN is your ultimate Forever Stock; a giant, cash-rich company that has rewarded shareholders for generations. Its roots go back to the 1880s, when the Canadian Northern Railway chartered the first common carrier train in Manitoba. Today, it's the largest railroad in the country with over 32,000 route kilometers of track.

This asset is almost impossible to replicate. Built over 100 years ago, these tracks cut right through densely populated cities from coast to coast. If you wanted to build a new railroad today, it would cost billions of dollars to purchase the needed right-of-ways and buy out landowners.

CN also has a cost advantage over other forms of shipping freight. Today, trains can move a ton of freight 430 miles on a gallon of diesel. Shipping by rail is four times cheaper than trucking over long distances. This forms a nearly impenetrable barrier to entry.

Of course, the true test of a Forever Stock is how it fares during times of war, recession, or uncertainty. That said, CN managed to raise its dividend during the height of the financial crisis in both 2008 and 2009. In fact, over the past decade, the company has hiked its payout fivefold.

The bottom line? If a Buffett follower like Bill Gates is investing in CN, the stock probably deserves a spot in your portfolio, too. While there are no sure things in investing, CN should keep posting top returns through good times and bad. That's the power of a Forever Stock.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

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