



Attention Canadian National Railway Company Investors: Bill Gates Could Up His Stake in the Railroad

Description

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#)) stock is on a roll, having just hit its 52-week high and gaining 11% year to date as of this writing. While I have always maintained that [Canadian National Railway is a great long-term investment idea](#), its investment thesis may have just gotten stronger thanks to the Canadian government's latest legislation.

Justin Trudeau's big transportation package

On May 16, Canada's transport minister Marc Garneau proposed a new legislation that could have long-term implications on Canadian National. Among other things per the legislation, which is expected to be implemented next year, an individual shareholder can now own a stake up to 25% in Canadian National compared to 15% before.

It's well known what a tight grip the government has traditionally held in the Canadian transportation sector, leading industry experts to believe that the stringent control has stifled growth for railroads and airlines. This regulation is thus an important milestone — one that could particularly benefit investors in Canadian National in the long run simply because billionaire Bill Gates might eye a larger stake in the railroad giant.

Bill Gates's love for Canadian National goes a long way

For investors who may not know, Canadian National [is among the top stocks in Bill Gates's](#) charitable venture Bill & Melinda Gates Foundation Trust's portfolio. The co-founder and former CEO of **Microsoft**, which topped Forbes's 2016 billionaire rankings, has entrusted the task of managing his personal wealth via private firm Cascade Investment as well as the endowments of the Bill & Melinda Gates Foundation Trust to wealth manager Michael Larson.

Much like Warren Buffett, who is also a trustee in the Trust, the Bill & Melinda Gates Foundation invests in companies with wide moats and sustainable competitive advantages.

It's not surprising then that Canada's largest railroad belongs in Gates's portfolio. As of March 31,

2017, Canadian National was the third-largest holding in the Trust, making up 6.71% of its portfolio.

Per Canadian National's latest information circular, Cascade Investment held 13.2% stake in the company. Furthermore, Gates held 2.25% in Canadian National as a co-trustee in his Trust. Overall, Gates owns 15.45% stake in the railroad today.

Why Bill Gates could buy more shares of Canadian National

Because Gates is the largest individual stakeholder, the only one with more than 10% stake in Canadian National, and has remained invested in the stock for a pretty long time, it's likely he will up his stake in the company now that the limit has been raised to 25%.

Gates has strong reasons to up his stake too: Canadian National is firing on all cylinders. Recently, the railroad reported 8% higher revenue, 12% higher net income, and 45% higher free cash flow for its first quarter. Encouraged, management even upgraded its FY 2017 adjusted EPS growth guidance to 8-11% from mid-single digits projected earlier.

With Canadian National delivering on its operations and the stock making investors richer, I wouldn't be surprised if Gates buys more shares in the near future. Having the backing of a billionaire business magnate, especially when he is Bill Gates, should prove beneficial for shareholders.

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