



Canadian National Railway Company Just Became Safer

Description

Investors looking for safety in the stock market tend to turn to the defensive sectors, those which tend to do well regardless of which way the economy goes. With global economic uncertainty spilling into Canada (and recent global events now bringing such concerns closer to home), Canadian investors are increasingly looking for a nice combination of growth and safety to take advantage of equities while protecting a significant portion of invested capital in the event of a market downturn.

One company I have looked at for some time now as a fantastic defensive long-term play is **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)). Over the past three years, this railroad outfit has produced a gross capital appreciation of more than 55% for investors as well as a dividend yield which has nearly doubled over the same time span due to its impressive dividend-growth profile.

While the current dividend yield for Canadian National Railway stands at just under 1.6%, investors who'd bought this security three years ago are experiencing a yield today of around 3% — not too shabby when considering capital appreciation and future dividend growth, given the boring reputation railroads generally have among the investing community.

Iconic investors, such as Warren Buffett, have maintained an affinity for railroads for decades due to the nature of the sector; in the search for stability, yield, and growth, railroads have played the role of “slow and steady,” with an emphasis on steady.

On Tuesday, the Canadian Federal Government announced plans to introduce new legislation which will enhance the security of railroads from potential terrorist attacks amid recent outbreaks of terrorist activity throughout Europe and many parts of the developed world. The intention of the legislation is to protect vulnerable cargo traveling on Canadian railroads from such events, essentially forcing the hand of railroads such as Canadian National Railway to take a proactive stance on defence, enhancing peace of mind for the government, Canadian citizens, and investors alike.

While the proposed legislation will carry a cost of approximately \$200,000 per year (a relative drop in the bucket for a firm which produces more than \$3.6 billion in profit annually), the long-term benefits from increased vigilance and defensive training at the company's railroads stands to benefit the

company and investors over the coming decades. Canadian National Railway continues to play a pivotal role in providing transportation services which support and promote economic growth for the entire country.

Stay Foolish, my friends.

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