



4 Reasons to Increase Your Railroad Investment Today

Description

Railroad investments have long been considered some of the best investments to add to a portfolio. Chief among those railroad investment options is **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)).

While Canadian National offers investors both respectable growth and a decent dividend, those hardly seem like the only reasons to go out and increase your position.

Here are some of the less obvious reasons that make Canadian National a great investment.

Railroads are the glue that keeps the North American economy running

One of the most surprising statistics that few investors realize is how important railroads really are to the overall economy of both the U.S. and Canada.

North America is a massive market that is reliant on the transportation of freight. Businesses need to send raw materials to factories, and finished products need to get from those factories to distribution centres and ports for transfer to retailers and showrooms across the continent.

To put it another way, railroads are one of the primary arteries of the economy, accounting for a significant portion of all freight movement in the U.S. and Canada.

For investors, this places railroads high on the list in terms of importance, tying that investment to the overall health of the economy. Canadian National has a significant advantage in this regard, as it is the only railroad in North America that has access to three separate ports.

Railroads offer a diversified mix of freight

Another point to consider in favour of an investment in Canadian National comes in the form of diversification. Just like any well-managed portfolio, railroad freight is often diversified to carry a mix of goods that bring down the price per mile of that freight.

In terms of goods hauled, a typical freight train can carry anything from bulk commodities such as coal or wheat to crude oil and manufactured products.

How diversified is Canadian National's freight load? Canadian National's current mix accounts for 24% intermodal freight, 17% of each of grain and fertilizers, as well as petroleum and chemicals, followed by 14% forest products, 12% mining and minerals, 7% automotive, and 4% coal.

The beauty in this diversification is that if one segments lags for whatever reason, Canadian National can up the proportion of freight being carried by another segment.

Railroads are the most efficient means of hauling freight

Railroads are efficient means of hauling freight. The average freight train is far more efficient than anything the trucking industry can provide. Experts note that trains are three times more efficient in hauling freight when compared to trucking.

Apart from the simple fuel economy and load limits, rail is also less prone to the delays in roadwork and traffic that plague the trucking sector. Railroad networks still require maintenance, but because the tracks are owned and operated by the railroad, there's a personal stake to get things done quickly and correctly.

Canadian National is an unlikely, yet great growth stock

Since the Bank of Canada first raised interest rates in July, Canadian National has dropped over 6%. While this front and centre to most investors, looking out a little more long term and considering the impact of Canadian National's 1.67% dividend yield shows a very different scenario.

Year to date, the stock has appreciated over 9%, and looking out over a full calendar year, Canadian National has increased nearly 20%. If anything, the current slump in the stock price can be viewed as a buying opportunity for investors looking to add to or increase their positions in Canadian National.

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