



## An Oversold Dividend Stock to Buy for Your TFSA

### Description

One of the [best investing strategies](#) for your Tax-Free Savings Account (TFSA) is to find stocks that offer good value in today's market.

In value investing, investors search for stocks that are currently undervalued compared with other stocks in that industry group. This approach works nicely for long-term investors who are comfortable with a buy-and-hold philosophy and if they don't like trading too often, unlike those who are following growth and momentum strategies.

For your TFSA, I think, this is a win-win formula, as you don't have to pay any tax on your capital gains and dividends that you earn from your investments. Over time, this advantage should work to multiply your wealth by the power of compounding, as you keep re-deploying your gains back into the portfolio.

With this theme in mind, I have picked [Canadian National Railway](#) ([TSX:CNR](#))([NYSE:CNI](#)). Let's see what value this stock is offering long-term investors.

### Bearish spell

CN Rail stock has fallen about 13% from its 52-week high, massively underperforming the broader market and regional railroad companies. The main reason of this dismal performance is the company's capacity constraints to handle the surging volume of freight in North America.

That jump in volumes is further exacerbated by Canada's pipeline constraints, which is pushing the nation's oil sands producers to rely on the rail network to ship their products south of the border.

To address these challenges, CN Rail is investing heavily this year to expand its capacity, boosting its 2018 capital-spending budget to a record \$3.2 billion, with a plan to hire about 400 conductors in the first quarter alone.

### Why is CN Rail a good stock for your TFSA?

CN Rail is a dividend-growth stock with a huge potential for capital gains. During the past five years,

this stock has delivered ~90% gains in total returns — almost five times more than what offered by S&P/TSX Composite Index.

This year, management boosted the quarterly payout by 10% to \$0.46 per share, totaling \$1.84 annually for a yield of 1.92%. The company has been increasing its dividend with a five-year CAGR of 14%.

Despite the temporary challenges, I think CN Rail is well positioned to continue with its explosive growth. The company operates in an duopoly; it's not easy to break its dominance over the crucial transportation sector of North America.

### **The bottom line**

Trading at \$94.98 a share and with the trailing price-to-earnings multiple of 13, CNR stock looks very attractive to me. Buying this stock for the long term makes sense for TFSA investors who like value investing and buying and holding dividend stocks.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

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

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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