



## Here Is My Top Stock to Buy for Beginners

### Description

If you're an investor looking to take control of your own investments, it can be difficult to decide where to start. As a beginner investor, you have two choices: you can invest in mutual funds or exchange traded funds (ETFs) and/or you can try your hand at buying individual stocks.

The latter can be particularly daunting. There are over 1,500 companies listed on the TSX. Likewise, in today's environment of significant market volatility, it can be intimidating. The key for beginners is to drown out the noise and focus on high-quality companies trading at good value.

One such company is **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)), my top pick for beginner investors.

### Wide moat

A company that possesses a wide moat is one with a significant and sustainable competitive advantage. In CN Rail's case, it's the largest railroad company in Canada, with approximately 20,000 route miles of track spanning Canada and middle America. It connects three coasts — the Atlantic, Pacific and the Gulf of Mexico — and transports over \$250 billion worth of goods annually.

It's also the only railway that's connected to the Prince Rupert Port Authority, one of the fastest growing ports in North America. The Port recently expanded its capacity and accounts for about 20 percent of CN Rail's intermodal business.

### Strong financial performance

CN Rail has long been one of the best-performing railways. It is the highest-margin railroad in the industry and generates significant cash flow. Its return on equity, another measure of profitability, is also tops among its peers. It also has a low beta of 0.68, which implies that it's not as volatile as the broader market, which is perfect for beginners who may fear wild price swings.

The company is a Canadian Dividend Aristocrat, having raised dividends for 23 consecutive years. It has a double-digit dividend growth rate and last raised dividends by 10.3% this past January. The

company recently upped its targeted payout ratio to 35%, and with a current 19% payout ratio, it is well positioned for continued dividend growth.

### Recent weakness

The company recently experienced some share price and earnings weakness on the back of a challenging operating environment. Of particular concern was its mismanagement of grain shipments in western Canada. The good news is that the company has acted quickly and accelerated its improvements to its west coast grain network. CN Rail's plan appears to be working, as earlier this week it announced that it has met all grain shipments for three consecutive weeks.

### Great entry point

The best news for beginners is that the recent share price weakness has provided a great entry point. It is trading below its historical price-to-earnings, price-to-book, and price-to-sales averages. Its current 1.86% yield is close to as high as its ever been and is much cheaper than the majority of its peers.

CN Rail is a great stock for beginners on which to build a foundation for a high-performing portfolio. Investors can buy, hold, and sleep well knowing that they made the right purchase.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

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

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### Date

2025/07/04

### Date Created

2018/05/04

### Author

mlitalien

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