Should You Buy Canadian National Railway Company (TSX:CNR) or Fortis Inc. (TSX:FTS) Stock for Your RRSP?

Description

Canadian savers are now making their final RRSP contributions to ensure they don't miss the 2018 tax year deadline, and many are planning to invest the funds in top-quality dividend stocks.

Let's take a look **Canadian National Railway** (TSX:CNR)(NYSE:CNI) and **Fortis** (TSX:FTS)(NYSE:FTS) to see if one might be an interesting pick for a self-directed RRSP portfolio.

CN

CN had a rough start to 2018, but a leadership change and the successful completion of new contracts with employees set the stage for an impressive turnaround through the second half of the year.

In the end, CN reported a 10% increase in annual revenue compared to 2017, supported by strong improvements in a number of segments, including petroleum and chemicals, intermodal, metals and mining, coal, grain and fertilizer, and forest products. Operating income rose 5% and adjusted diluted earnings per share jumped 10%.

The company continues to invest in new equipment and network upgrades. The $3.9 billion capital program for 2019 is a record and should enable CN to meet growing demand for its services in a number of its business lines, including crude by rail.

Given the strong economic situation in Canada and the United States, CN anticipates a strong performance in 2019. The company just raised the dividend by 18% for the year and is buying back up to 22 million shares over the next 12 months.

Long-term investors have enjoyed impressive gains with this stock. A $10,000 investment in CN two decades ago would be worth about $220,000 today with the dividends reinvested.

Fortis

Fortis started out as a small local power company in eastern Canada. More than a century later, the business has grown to be one of the top 15 utilities in North America with $50 billion in assets providing three million customers with natural gas and electricity.

The stock is an attractive pick for investors who want steady and reliable dividend growth. The company gets more than 90% of its earnings from regulated utilities and has raised the payout for 45 consecutive years.

The current five-year capital program will see Fortis invest roughly $3.5 billion per year. This is expected to significantly increase the rate base and support ongoing annual dividend growth of at least 6% through 2023.

Acquisitions have also played an important role in the company's growth, and Fortis has the financial capacity to take advantage of additional opportunities as the sector consolidates.

A $10,000 investment in Fortis 20 years ago would be worth about $100,000 today with the dividends reinvested. The current distribution provides a yield of 3.8%.

Is one more attractive?

CN and Fortis are top-quality companies with strong track records of dividend growth and capital appreciation. I would probably split a new investment between the two stocks today, but if you only buy one, CN might be more attractive as it appears somewhat oversold after the market pullback late last year.

Other interesting opportunities are emerging in the market in 2019.

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