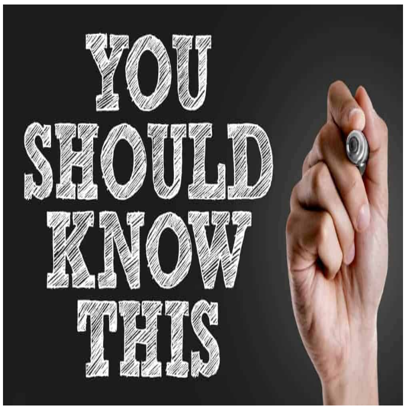

A Top Dividend Stock for the Defensive Investor

Description

We live in uncertain times amid an environment where volatility rules the day and a single tweet can move the markets. For retail investors with a low risk tolerance, these can be trying times.

However, investors shouldn't avoid the markets all together. There are plenty of investment opportunities for those seeking a little more stability. One of the safest places to park your cash is in the railroad industry.

Railroads are attractive because they are less volatile and aren't exposed to the cyclical nature of the economy. Goods and services move across the country via rail regardless of the economy.

As such, they provide safe and reliable cash flows, which makes the sector the ideal place to park your cash to ride out the current volatility. My favourite in the space is **Canadian National Railway** (TSX:CNR)(NYSE:CNI).

Canadian Dividend Aristocrat

CN Rail owns one of the longest dividend growth streaks in the country. At 23 years and counting, it is ranked tenth among all Canadian Dividend Aristocrats. These are companies with a history of raising dividends for at least five consecutive years.

At first glance, its 1.79% yield is nothing to get excited about. However, it's important to note that its yield is low thanks in large part to its outstanding performance. Over the past five years, CN Rail's stock price has climbed 77.40% for a compound annual growth rate of approximately 15%. In comparison, the **TSX Composite Index** has returned only 1.67% on average over the same period.

Not only have investors enjoyed great returns, but they have also seen the company's dividend rise by double digits. It has a five-year dividend growth average of 16.2%, which is good to rank it among the top third of all Aristocrats. Even more impressive, its dividend growth rate is the second highest among all companies with a dividend growth streak of at least 20 years.

Healthy growth prospects

Canadian National Railway's outperformance in recent years has been a result of its impressive growth rates. Over the past five years, the company has grown earnings by approximately 10% on average — a trend that's expected to continue.

Over the next five years, analysts estimate 11% average annual earnings growth. For a company the size of CN Rail, these are impressive growth rates. Are these growth rates achievable? If history is any indication, the company will have no issues meeting estimates. In the past five years, the railroad has beat earnings estimates four times and only missed once. The lone miss came in 2017, and was less than a percentage point (0.90%).

Foolish takeaway

Investors should never abandon ship. Historical research has shown that time in the market is far more rewarding than time on the sidelines.

Instead of attempting to time the market, the defensive investor should rotate into stocks that offer greater stability. CN Rail is great example of how an investor can build wealth by building a portfolio of low-risk and high quality, blue-chip companies. This defensive stalwart is a top pick for your retirement portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CNR (Canadian National Railway Company)

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Date
2025/07/04
Date Created
2019/06/18

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