



How a Single \$10,000 Investment Grew to \$230,000 in Just 20 Years

Description

Investors are constantly searching for top stocks that will help them build a significant [retirement portfolio](#).

The tendency to chase the current fad of the day often leads to poor results, and repeating the process can put a big dent in an investor's savings in a relatively short period of time.

Famous and successful investors take a long-term view when making stock choices for their portfolios, understanding that [industry leaders](#) in sectors with wide moats generally outperform the overall market and deliver steady gains in step with economic growth.

Let's take a look at one top Canadian stock that is a good example of this type of investment.

CN

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) might not be the most exciting name on the TSX Index, but it is certainly one of the best long-haul performers. That's probably why Cascade Investment, a holding company controlled by Bill Gates, owns 14% of the shares.

CN operates roughly 20,000 route miles of track across Canada and through the heart of the United States, transporting more than \$250 billion worth of cargo every year.

The company's unique network connects three coasts, including ports on the Pacific and Atlantic in Canada and the Gulf of Mexico in the United States. This gives it an advantage when securing business from clients that are importing or exporting raw materials and finished goods.

CN transports a wide range of cargo, including lumber, coal, crude oil, cars, grain, and finished products. When one segment hits a rough patch, the others tend to pick up the slack. For example, changes in commodity prices or foreign exchange rates that impact one group negatively can be positive for other business units.

CN gets a significant part of its revenue from the U.S. operations, providing a nice hedge against a downturn in Canada. This also gives investors a great way to get U.S. exposure through a Canadian company.

The new leadership team has done a good job of identifying areas of investment opportunity to boost efficiency and ensure CN has the capacity to meet rising demand in some key segments.

CN is investing nearly \$4 billion in 2019. The money is going towards the purchase of new locomotives and rail cars, as well as investments in technology and upgrades to tracks and rail hubs across the network.

Revenue in Q2 2019 jumped 9% compared to the same period last year. Adjusted diluted earnings per share increased 15%.

CN remains one of the most efficient railways in North America with an operating ratio of 57.5%. Operating income in the latest quarter rose 11% to \$1.682 billion.

Dividends play a key role in driving long-term gains for investors. CN has raised its distribution by a compound annual rate of about 16% over the past 20 years. The board increased the dividend by 18% in 2019.

CN also buys back shares with excess free cash flow. This means remaining shareholders get a bigger piece of the profits.

Returns

A \$10,000 investment in CN just 20 years ago would be worth \$230,000 today with the dividends reinvested.

The bottom line

Owning top-quality dividend stocks and investing the distributions in new shares is one strategy that has generated solid long-term returns for investors. The process requires patience and the discipline to let the funds grow, but the rewards can be significant.

CN is just one company in the TSX Index that has made long-term investors rich. The big banks, leading energy infrastructure players, and top utilities have also generated attractive returns, among others.

CATEGORY

1. Investing

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1. NYSE:CNI (Canadian National Railway Company)
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Date

2025/08/02

Date Created

2019/09/29

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