Keep Your Portfolio From Going off the Rails With This Stock

Description

As far as long-term buy and hold investments go, **Canadian National Railway** (TSX:CNR)(NYSE:CNI) has proven to be a gem. In times of uncertainty, stocks like Canadian National are great safe havens. Canadian National has a massive business model moat and extremely stable earnings.

For these reasons and more, Canadian National is a great pick for equity investors rightly worried about more downside on the horizon. In this article, I am going to discuss why I think CNR is one of the best picks on the **TSX** today.

Investors need to think long term

With nearly 100% of media coverage today, understandably, solely focused on the coronavirus pandemic, short-term concerns are top of mind for all investors. That said, for those with retirement accounts or with investing time horizons longer than a year or two, looking at the bigger picture should be the focus.

Investors should view this market turmoil as a buying opportunity for the long term. Canadian National is one of those insulated long-term plays that would certainly fit into the bucket of stocks to put away and forget about for a long-time. This is one of the key reasons I keep recommending it.

Railroads are not going away. Rail is still the most cost-efficient and environmentally friendly way to transport large amounts of goods long distances. Like its peer **Canadian Pacific Railway** (TSX:CP)(NYSE:CP), CNR operates in a natural duopoly in this sector in Canada.

These realities are fundamental to a long-term hold strategy on this railroad. As a significant piece of the economic backbone of North America, Canadian National is both necessary for, and congruent to, growth on this continent.

As iconic investor Warren Buffett has stated many times, if you believe in the economic prowess of North America, long-term, buying a railroad is potentially the best way to gain exposure to North American growth over the long-term.

Fundamentals Strong

Even compared with its other North American rail peers, Canadian National has excellent fundamentals. In today's uncertain economic environment, companies like Canadian National have impressive fundamentals. These include excellent cost efficiency metrics, high asset utilization, and return on shareholder equity growth of between 14% and 23%.

These numbers are also indicative of a company and a sector with excellent economics and long-term stability, factors I like. The fact that Canadian National has outperformed the TSX in 17 of the past 25 years is another testament to the ability of this company's management team to create long-term shareholder value.

Canadian National's earnings are cyclically depressed. However, those banking on a recovery should certainly think about picking up shares of CNR during times like these. Railroads are more than a century old and have proven to be among the best long-term investments.

This is due to consistent economic growth and a natural monopoly which has formed around the railroad companies.

Canadian National's dividend yield of approximately 2% may appear small. However, the company has done well to increase its dividend over time in a meaningful way. This is yet another reason why I like this stock as a very long-term investment in a retirement account, etc.

I believe we should see earnings pick up again in 2021 to around pre-COVID-19 levels. Therefore, in my view, this means this market uncertainty we've seen is likely to be short-lived.

Stay Foolish, my friends.

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2. NYSE:CP (Canadian Pacific Railway)
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4. TSX:CP (Canadian Pacific Railway)

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