Adding Canadian National (TSX:CNR) to Your TFSA Makes Sense

Description

Some of the best long-term investments are those that we see and rely on every day. In fact, many of these great investments are ones that we rarely even view as investments. One example of this is **Canadian National Railway** (TSX:CNR)(NYSE:CNI). Adding Canadian National to your TFSA now could be the best decision of 2020.

Why adding Canadian National to your TFSA makes sense

Canadian National is one of the best long-term performers on the market. Since the mid-90s, the stock has earned investors a compound annual growth rate of near 15%. In 2020, the stock has soared over 20% year to date, making it a standout solid investment option in a year of unprecedented volatility.

But what exactly makes Canadian National a must-have addition to your TFSA?

First, let's talk about railroads. Few people realize how important they are to keep the economy going. Rail remains the largest single source of freight and is often cited as an arterial vein to the entire North American economy. In the case of Canadian National, the company hauls a whopping $250 billion worth of goods and materials each year. Those goods can be anything from automotive components and chemicals to crude and wheat.

Rail networks are mature massive pieces of infrastructure, connecting ports, warehouses, and factories to metro areas. More importantly, communities have sprung up around and through those rail networks. Canadian National is unique in this regard, as the railroad is the only one on the continent that is connected to three coastlines. This all but eliminates the prospect of a competitor emerging to challenge Canadian National's superior network. What this means for prospective investors is that Canadian National is a great defensive option for your TFSA.

Let's talk results

Financials have been anything but normal in 2020. The impact that the COVID-19 pandemic has had on businesses continues to make prior-year comparisons misleading. In the case of Canadian National, the company announced third-quarter earnings for the period ending September 30 back in October.

During that quarter, revenue came in at $3,409 million, reflecting an 11% drop over the same period in 2019. Earnings saw a 17% drop over the prior period, coming in at $1.38 per diluted share. The drop was not unexpected, given the far-reaching impact of COVID. Still, the results were an improvement over the second quarter.

If anything, this latest round of results shows encouraging signs. The railroad saw freight volumes increase with each passing month in the quarter. During the month of September (the most recent month reflected in the report), volumes in terms of revenue ton-miles finally saw year-over-year growth.

Should you buy?

No stock is without risk, and that includes Canadian National. What Canadian National does offer is a reliable, defensive investment that can provide massive growth potential. In short, adding Canadian National to your TFSA now could provide handsome growth potential over the longer term. Buy it, hold it, and let it grow your portfolio.

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dafxentiou