



2 Great Canadian Stocks Top Billionaires Love

Description

Warren Buffett and Bill Gates are two of the world's top billionaires. They are well known for their investing savvy, so it makes sense to pay attention when they buy Canadian stocks.

Why Bill Gates likes Canadian National Railway Company

Cascade Investment, owned by Bill Gates, owns [roughly 14%](#) of the outstanding common stock of **CN** ([TSX:CNR](#)) ([NYSE:CNI](#)). The top billionaire made the investment several years ago and continues to like CN stock.

The investment makes sense. CN is a leader in the North American rail industry with nearly 20,000 route miles of tracks. The unique network connects to three coasts, giving CN a sustainable competitive advantage in the sector. CN transports cargo worth \$250 billion annually, including forestry products, car parts, coal, crude oil, fertilizers, grains, and finished goods.

In effect, CN plays a key role in the smooth operation of the Canadian and U.S. economies.

CN invests heavily to ensure it remains efficient and has the capacity to meet growing demand for its services. The company adds new locomotives and rail cars while investing in network upgrades, technology, and intermodal hubs. Despite the large capital outlays, CN always has ample free cash flow to return to shareholders. In fact, free cash flow hit a record \$3.2 billion in 2020 and CN expects to deliver a similar performance in 2021.

The board raised the dividend by 7% for this year. This is the 25th consecutive annual increase. Share buybacks are also on the way. CN intends to repurchase up to 14 million shares in the next 12 months.

The stock rarely goes [on sale](#) and dips tend to be great opportunities for buy-and-hold investors. CN currently trades near \$136 compared to \$147 in early January, so it might be a good time to add the stock to your portfolio.

Long-term investors have done well with CN. A \$10,000 investment just 20 years ago would be worth

about \$200,000 today with the dividends reinvested.

Why Warren Buffett bought Suncor stock

Warren Buffett's company **Berkshire Hathaway** owned about 19 million Suncor ([TSX:SU](#))([NYSE:SU](#)) shares at the end of Q3 2020, according to the company's [13F report](#) for the quarter. Berkshire added to its Suncor position in the second quarter of the year.

Buffett is famous for making bets on out-of-favour stocks. Buying Suncor in the middle of the pandemic follows that trend and it will be interesting to see if the top billionaire gets rewarded for the move.

Suncor took a hit last year when oil prices plunged due to weak fuel demand. Lockdowns forced people to work from home. That kept millions of cars in the garage that would otherwise do a daily commute. [Airlines](#) cut routes and grounded planes as governments implemented tight travel restrictions.

Oil prices have rebounded strongly and now trade at 12-month highs. That bodes well for Suncor's upstream margins in 2021. The refineries and service stations that produce and sell fuel continue to see weak demand, but that situation should improve once COVID vaccines are widely available to the broader public.

It will be interesting to see whether Berkshire adjusted the Suncor position in Q4 2020 when the new 13F report is released.

Suncor is a contrarian pick and volatility should be expected, but the stock might be worth buying at the current price near \$23 per share. The last time oil prices traded this high, Suncor stock stood at \$45.

The bottom line on investing like top billionaires

Warren Buffett and Bill Gates are smart fellows with great track records of making successful investments. CN and Suncor are leaders in their respective industries, so it makes sense they attracted these investing legends.

CATEGORY

1. Investing

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2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:SU (Suncor Energy Inc.)

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Date

2025/08/23

Date Created

2021/02/11

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