



## Warren Buffett's Shareholder Letter Highlights the Value of This Top TSX Stock

### Description

Warren Buffett and Bill Gates like railroads.

That much many investors already know. Warren Buffett proudly talks about his ownership stake in **Burlington Northern Santa Fe** in every shareholder letter. Bill Gates is the largest owner of **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) via an endowment fund run by Cascadia Investments.

However, investors shouldn't take this for granted. Buffett's typical comments about his awesome businesses are often overlooked by investors reading his letter.

So, let's take a deeper look at Buffett's comments from his recent annual letter to glean what the future may hold for railroads.

### Railroads a "forever" business

Buffett likes to own businesses over very long periods of time. His investment time horizon? Forever.

Similarly, Bill Gates's endowment fund has an investment time horizon intended to be generations long.

So, for these investors, finding companies like CN that have the kind of staying power they're looking for isn't easy. Indeed, finding companies able to withstand decades (or even centuries) of economic turmoil, crises, and market crashes is hard to do. However, railroads have fit the bill for both iconic businessmen.

Buffett's shareholder letter highlights: "The history of American railroads is fascinating. After 150 years or so of frenzied construction, skullduggery, overbuilding, bankruptcies, reorganizations and mergers, the railroad industry finally emerged a few decades ago as mature and rationalized."

I'd have to agree. This sector is one that has consolidated to its current state. As such, existing players have an outsized amount of market power relative to other sectors.

## Size matters

For Buffett, size matters — especially when it comes to railroads.

Here's another excerpt from Berkshire's annual report. "Let's look first at BNSF. Your railroad carries about 15% of all non-local ton-miles (a ton of freight moved one mile) of goods that move in the United States, whether by rail, truck, pipeline, barge or aircraft. By a significant margin, BNSF's loads top those of any other carrier."

Here's where I think CN has tremendous value. It's the largest railroad in Canada, with about twice the market capitalization of its peer, **CP Rail**.

In Canada, CN really is the go-to railroad to own for large-cap investors. Canada operates in a duopoly, and as such, these railroads are powerhouses for long-term cash-flow growth.

CN is my top pick in the Canadian railroad sector right now, and I think investors like Buffett and Gates are thinking the same way, in terms of picking the largest and highest-quality railroads as long-term holdings.

Indeed, investors should heed Buffett's advice in his shareholder letter and focus on size and quality right now. Railroads are a good place to start.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. dividend
2. dividend stock
3. growth
4. growth stocks
5. investing
6. long term growth
7. market
8. value investing

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

## PP NOTIFY USER

1. tmfpothos

## Category

1. Dividend Stocks
2. Investing

## Tags

1. dividend
2. dividend stock
3. growth
4. growth stocks
5. investing
6. long term growth
7. market
8. value investing

## Date

2025/08/20

## Date Created

2021/03/04

## Author

chrismacdonald

default watermark

default watermark