



1 Reason Billionaires Are Loading Up on Railroad Stocks

Description

Billionaires are risk takers, but they become [risk averse](#) when the situation calls for it. Market observers note that **Microsoft** founder Bill Gates has rebalanced his stock portfolio even before the Russia-Ukraine war erupted.

Based on its most recent 13/F filing, the Bill & Melinda Gates Foundation took a new position on **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)). As of December 31, 2021, the said trust fund has holdings in two railway companies to include **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)).

The regulatory filing of Bill Ackman's Pershing Square Capital Management in Q4 2021 also showed a new position in Canadian Pacific Railway. Ackman used to be one of the board members in Canada's second-largest railway company. Regular investors can follow the lead of the two billionaires if they know why they are loading up on railroad stocks.

Valuable assets

Gates was already fearful of what will come after COVID-19. His book, *How to Prevent the Next Pandemic*, gives advice on how to prepare for the next pandemic. However, rising inflation and [geopolitical tensions](#) are the biggest concerns at the moment. Fortunately, railroad companies are stable investments and can ride out the ongoing [crisis](#).

Like Gates, Ackman is lucky to reinvest in Canadian Pacific. He said, "One of our greatest investment regrets was selling CP a number of years ago." The value investor added, "We are delighted to again be an owner of this remarkable and growing franchise at a time when transcontinental rail infrastructure could not be more important for our economy and our continent."

The future for freight

CP won over Canadian National Railway in the bidding war to acquire **Kansas City Southern**. The American railway operator will continue to operate independently pending the approval of the merger

by the U.S. Surface Transportation Board (STB). Management expects the approval in Q4 2022.

The business combination would create a single-line railroad linking Canada, Mexico, and the United States. Once the U.S. regulator approves the railroad control application, the new entity will be known as Canadian Pacific Kansas City Limited (CPKC).

In 2021, CP reported revenue and net income growth of 3.7% and 6.7%, respectively, versus 2020. Its president and CEO, Keith Creel, cited resiliency and strong operating model for the impressive results. Creel said 2021 was a historic year and management is excited for what lies ahead with the franchise. The stock is up 8.63% year to date (\$98.83 per share) and pays a modest 0.78% dividend.

Defensive investment

Canadian National Railway delivered solid top- and bottom-line results in 2021. Total revenue increased 4.8% year over year, while net income jumped 4.8% to \$5.61 billion. The \$111.28 billion world-class transportation leader and trade enabler has been around since 1919 and endured the worst economic downturns.

On March 1, 2022, CNR filed a responsive application with the STB. The company requests the divestiture of parallel tracks as a condition of the CP-KCS merger. It CNR can create the Kansas City Speedway, which should be a pro-competitive solution. At \$159.02 per share, the stock pays a higher 1.85% dividend.

Backbones of the economy

Expect more investors to increase their exposures to the industrial sector, particularly railroad companies. Besides the high-quality business, the business model is good. Railways are backbones of the economy and valuable assets in the wake of supply chain constraints.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:CP (Canadian Pacific Railway)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:CP (Canadian Pacific Railway)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/23

Date Created

2022/03/11

Author

cliew

default watermark

default watermark