Investors Have Hit the Jackpot With This 10.2% High-Yield Dividend Stock

Description

The story out of China is that of not only strong economic growth, but also a story of the drive to turn to cleaner industry in order to combat the country's escalating smog and air quality problem.

In 2017, GDP growth is expected to hit 6.8%, which represents an acceleration from 2016 and is above most analysts' expectations. The year 2018 should see similar growth levels.

Against this backdrop, iron ore prices have been rallying strongly in the last two years. Currently trading at $74 per tonne, the commodity has seen its ups and downs, trading at lows of approximately $40 per tonne back in 2015 and, in its heyday, highs of over $180 per tonne.

While this commodity has been notorious for its price swings from year to year, we have some clear fundamental drivers that can be expected to keep them firm in at least in the coming months.

In my view, there is no better way to play this strength than through purchasing the shares of **Labrador Iron Ore Royalty Corporation** (TSX:LIF).

Being a royalty company that receives royalties from the Iron Ore Company of Canada's (IOC) iron ore sales, investors can feel confident knowing that this iron ore is high-quality iron ore that is produced in Canada.

In my view the shares represent a clear win for shareholders. Here's why:

The company has increased its dividend several times in the last two years, and has paid special dividends that have amounted to $1.65 per share in 2017.

All told, shareholders have received dividends of $2.65 this year for an actual dividend yield (regular dividend plus special dividends) of 10.2% in 2017 based on today's share price.The company pays out a regular quarterly dividend of $0.25 per share, plus special dividends that continue to be paid out when times are good.

While iron ore prices have certainly been erratic, Labrador Iron Ore has been a pillar of strength. Being a royalty company, it does not bear the brunt of operating costs. Being a high-quality producer, it prices its iron ore at a significant premium to the market.

In the past few years, the company's results have shown continued production increases and cost efficiencies being realized. Production has risen more than 30% to north of 19 million tonnes since 2014, and unit cash costs have declined dramatically to the current $49.

The most recent quarter showed a 5% production increase. With costs expected to continue to decline alongside many production growth opportunities at IOC, the future looks bright.

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