



## This New 12% Dividend May Be Canada's Best Income Stock

### Description

In December, **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](https://www.scribd.com/document/444444444/TSX:CHE.UN)) reaffirmed its \$0.10 monthly dividend, which currently results in an 11.7% yield. Since 2003, the company has never missed a payment. And while it hasn't grown its dividend since 2005, owning shares has still resulted in double-digit annual returns over that period.

Is this your chance at buying and holding a reliable 12% dividend stock? Or is the recent dip in Chemtrade's stock price an omen for bad things to come, including a dividend cut?

### A volatile business with long-term stability

Chemtrade is a global provider of industrial chemicals and services. It deals in niche, often dangerous compounds, like electro-chemicals, water specialty chemicals, and industrial inorganic chemicals.

Dealing in industrial commodities, Chemtrade's financials can be volatile, often for reasons outside of its control. For example, last year's results were impacted by higher raw material costs that squeezed margins, even though Chemtrade itself found ways to reduce its corporate costs.

Over time however, these temporary pressures always return to the mean. And when prices swing the other way, Chemtrade benefits immensely.

Since 2003, for example, Chemtrade's stock has swung wildly, hitting lows in the \$5 range and highs in the \$20 range. Yet today, the share price is nearly the same as it was more than 15 years ago. Along the way, investors have collected the same, steady dividend every month.

So while the company's underlying financials can be volatile, its long-term profitability has been surprisingly stable, and management has never backed off from paying its dividend.

### Will the dividend stand?

With a dividend yield of more than 10%, many investors have been wondering whether a cut is on the

way. An analyst from CIBC asked management directly on the latest quarterly conference call whether this will be the case.

“I want to start off on the dividend,” he said. “Would you ever consider cutting that dividend to pay down debt?” Notably, he noted that the dividend only comprises 60% of earnings, so the payout ratio is still fairly reasonable, even if the yield seems outsized.

Chemtrade’s CEO Mark Davis answered bluntly. “I’ll just say no,” he responded. “We set it up back in 2007, we see no reason to change it. So is the 10% dividend yield in our view is rich? We think actually hopefully that yield will come down as our share price recovers, but we have no current inclination to actually reduce the distribution despite the 10% yield.”

## The best way to invest in Chemtrade

It’s rare that you’ll get such a strong reaffirmation of a double-digit dividend, but Chemtrade’s management has plenty of evidence to back its stance. If you had continually invested in Chemtrade over the years, your money would have earned an impressive dividend year in and year out.

Now at a historically high yield, your best option is likely to buy and hold Chemtrade for another decade. It’s an income investor’s dream as long as you’re willing to ride out the share price swings.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)

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