



Want 13% Annual Returns? Chemtrade Logistics Income Fund (TSX:CHE.UN) Is Still a Great Bet

Description

In January, I [named Chemtrade Logistics Income Fund \(TSX:CHE.UN\)](#) Canada's best dividend stock. Since that article, shares have fallen by a few percent, raising the dividend yield closer to 13%.

If you're looking for a reliable income stock that can deliver impressive returns through its dividend alone, take a closer look at Chemtrade.

A surprisingly stable business

Chemtrade's businesses are fairly boring. The company is one of North America's largest distributors of sulfuric acid, acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulfite, and phosphorus pentasulfide. It also supplies sulfur, chlor-alkali products, liquid sulfur dioxide, potassium chloride, and zinc oxide on a regional basis.

If the materials above seem foreign to you, don't worry. The company is broadly diversified across the entire industrial economy. If industrial output moves higher, the company benefits. If industrial output falls, the company suffers.

Notably, however, Chemtrade has designed its business to gain massive market share in its main products along with profitable positions in more niche areas. The company has also made sure to structure revenues so as to shield it from the regular swings of commodity prices.

Size and scale allow the company to spread fixed costs wider than its smaller competitors while providing more capital to diversify its earnings base.

There have been swings along the way, but Chemtrade shares trade at the same price today as they did in 2001. While that sounds concerning, the company has been paying a healthy dividend along the way, often surpassing 10% per year. Incorporating this income stream makes this stock's total return several times higher than the TSX average over the past decade.

Cash flow continues to support the dividend

Since 2003, Chemtrade has consistently distributed its market-leading dividend without ever missing a payment. The dividend hasn't been increased since 2005, but with a 13% dividend yield per annum, it's doubtful that shareholders cared.

Over the past few years, cash flows have more than supported Chemtrade's high dividend. In 2017, distributable cash per share was \$1.79, comfortably outpacing its annual distribution of \$1.20 per share.

Last quarter, distributable cash totaled \$54 million, equating to a run-rate of \$216 million. With 92.6 million shares outstanding, that would result in annual distributable cash of \$2.33 per share, nearly twice the cost of its dividend.

Build a permanent income stream with Chemtrade

If you have a tax-advantaged account like a TFSA or RRSP, Chemtrade may be the ideal stock candidate for you. Within these accounts, you can accrue a 13% annual return tax-free.

Plus, if you reinvest your dividends, you can quickly build a portfolio that throws off serious cash. Whether you're nearing retirement or just starting to build a nest egg, Chemtrade is a proven, long-term winner that can outperform the market over time.

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

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