



This Little-Known Company Pays a Ridiculous 11.64% Dividend

Description

Chemtrade Logistics Income Fund ([TSX:CHE.UN](#)) is not a name that might instantly ring a bell with investors. You should look at this company from Canada's chemical sector, since Chemtrade pays investors an unbelievable percentage in dividend payouts on an annual basis.

The mid-tier Canadian company has paid out hefty dividends to shareholders every month for more than 10 years. At the time of writing, you can expect to earn 11.64% per share only through dividends paid by the company every year.

While the share price for the company is almost the same as it was 18 years ago, long-term investors have compounded massive returns due to the payouts. An 11.64% annual return just through dividends is handsome. If you are an investor interested in annual returns, I'll discuss Chemtrade below to help you understand the company better.

Paying dividends since 2001

Chemtrade started paying shareholders dividends in fiscal 2001, and the company has been paying dividends consistently. Not a lot of companies can match the success rate of Chemtrade to this end. An even more impressive statistic is that Chemtrade's dividend yield has been above 10% for the most part. There were also points where the dividend yield reached 20%.

Chemtrade persisted even during some of the worst years in the market. In the aftermath of the global recession in 2009, Chemtrade's dividend yield was 24%, thanks to the \$0.10 dividend the company paid shareholders. Long-term investors with a stake in the company are happy because Chemtrade [delivers payouts](#) regardless of the market situation.

Such high dividend payouts bring the aspect of sustainability into question. The 11.64% yield at the time of writing can leave any investor feeling skeptical about Chemtrade's ability to maintain the high figures. Chemtrade has proven that the high dividend yield is sustainable. Chemtrade generates enough free cash flow to deliver dividends on time.

A little caution

All this information about Chemtrade makes the little-known company seem like an excellent buy-and-hold stock. Before you start buying shares, you should know that Chemtrade deals with industrial chemicals and services. The industry is prone to volatility in the short term due to selling prices and input costs.

Chemtrade, as a company, has implemented a business structure to reduce the severity of the volatility typical to this industry. The company prioritizes specialty chemicals wherever possible. Chemtrade has dominant market shares for these niche chemicals. Due to this strategy, Chemtrade is now the largest producer for many of the company's products.

Regardless of the business structure, Chemtrade is not immune to [swings in share prices](#). From quarter to quarter, the company experiences swings. Over any period you pick out, Chemtrade comes out strong. The niche market strategy has ensured that Chemtrade can deliver on the double-digit dividends consistently and face any market volatility.

Foolish takeaway

The CEO Mark Davis said that he does not see any reason to cut down the high dividend yield. At the time of writing, Chemtrade shares are trading for \$10.31 per share. The stock price is down more than 27% year over year, but the CEO believes that the unit price will recover.

Based on performances in the past, this Fool believes you should consider diversifying your portfolio by adding Chemtrade stock while it's down.

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