



## This 10% Dividend Stock Is Now on Sale ... Again

### Description

Dividend stocks are often the [best deal](#) on the market. These companies deliver regular cash to shareholders simply for owning the stock. Investors can use this cash to supplement their income or reinvest it to buy even more shares.

Typically, dividend stocks pay between 2% and 4% per year. Sometimes, so-called high-yield dividend stocks can deliver payouts as high as 6% per year.

In that case, you'd earn a 6% return on your investment every year in the form of cash payments. Any growth in the stock price is a bonus.

Every now and then, however, dividend stocks promise *huge* payouts. One such Canadian company is now offering a dividend that exceeds 10% per year. With this stock, you could earn a double-digit return on your money through the dividend alone. That's quite a deal.

What's the catch? Often, super high-yield stocks like this can't afford to pay an outsized dividend for long. Eventually, cash flows aren't enough to continue paying the 10% dividend into perpetuity.

If the dividend was indeed here to stay, the stock market would likely place a higher valuation on the company, pushing the dividend below 10%.

Yet the company below is the exception to the rule. It's been paying the same double-digit dividend for more than a decade straight. When management was challenged about its sustainability, they forcefully reiterated that they have no plans to slash the payout.

If you'd like to earn more than 10% interest on your money every year through cash dividends, here's your opportunity.

### Reap these rewards

**Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)) has built a unique business. As one of the largest

distributors of specialty chemicals in North America, the company has found a way to mitigate pricing volatility for any one commodity.

Its first advantage is scale. When it comes to distribution-based businesses, scale is everything. The bigger you are, the more you can spread out fixed costs, allowing you to price below competitors.

The second advantage is diversification. By distributing hundreds of chemicals, pricing volatility in a single chemical is typically offset by pricing swings in other products, leading to stability for the portfolio as a whole.

It's these advantages that have allowed Chemtrade to produce plenty of cash over the last two decades, supporting a dividend since 2001.

The current per-share payout of \$0.10 each month has been in place since 2007. It wasn't even cut during the 2008 financial collapse.

A recent pullback has pushed the dividend yield up to 11.2%, but management has no plans to cut it. "As we have said for a number of times, we don't see any problem with the sustaining our dividend and we plan to actually keep paying it," CEO Mark Davis reiterated earlier this year.

With a market cap of just \$1 billion, few analysts cover this stock, and most investors aren't aware that it even exists. That ignorance has likely contributed to the current discount. Use this to your advantage by scooping up an 11.2% dividend that's been solid for nearly 13 years.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

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## Date

2025/08/25

## Date Created

2019/12/15

## Author

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