



Billionaire Ray Dalio's Top 3 Gold Mining Stock Picks

Description

Over the past few months, one of the world's biggest hedge fund managers has been quietly accumulating shares in Canadian gold mining companies.

Billionaire Ray Dalio is rightly one of the most respected investors in the world. Over the last two decades his company, Bridgewater Associates, has generated a 14.7% compounded annual return. And with \$150 billion in assets under management, Bridgewater ranks as one of the largest hedge funds in the world.

However, Dalio has a warning for investors. In a 2012 interview he told CNBC, "Gold should be a part of everybody's portfolio."

His logic is simple: gold is real money. It's an alternative to fiat currency and a storehold of wealth. The main advantage that gold has over other currencies is that it can't be printed. And with most of the large, developed economies of the world up to their eyeballs in debt, the only way to pay for these massive unfunded liabilities is to print more money.

So how is Mr. Dalio protecting himself from the depreciation of fiat currencies? Over the past several quarters the billionaire hedge fund manager has been increasing his stake in the gold mining industry. Here are his top three bullion stock picks.

Newmont Mining

Newmont Mining ([NYSE: NEM](#)) has been a laggard amongst gold miners this year. Thanks to uncertainties surrounding the company's Batu Hijau mine in Indonesia, the stock has trailed the **NYSE Arca Gold Miners Index** by 10% year-to-date.

However, in spite of the lagging share price, the future looks good for the company. In 2014, Newmont sees a slight uptick in gold and copper output for total production of 5.3 million ounces and 175,000 tonnes respectively. Management also expects stable costs and a 20% reduction in overhead expenses.

This divergence hasn't gone unnoticed. Last week, company exploration Vice President Chris Robison acquired 4,494 shares of the company's stock on the open market with a total value of \$106,000. Insiders may sell a stock for all kinds of reasons that have nothing to do with the prospects of the company. But there's only one reason they buy — they think the stock is going up.

Barrick Gold

Barrick Gold ([TSX: ABX](#))(NYSE: ABX), the world's largest gold miner, has been plagued by missteps. Over the past decade management destroyed billions of dollars in shareholder capital chasing overpriced acquisitions. And as a consequence for this disastrous performance, the board of directors rewarded themselves with generous bonuses.

However, the company is starting to get its act together. Barrick's new Chief Executive Jamie Sokalsky has also vowed to focus on profitability and cash flow rather than growth for the sake of growth. And over the past few quarters management has slashed costs, rejiggered its boardroom, and reined in spending.

There're still plenty of improvements needed at Barrick. However, if the company can deliver, it could be a catalyst for the stock.

Goldcorp

Improvements on both the top and bottom line provide plenty of catalysts to drive **Goldcorp** (TSX: G)(NYSE: GG) shares higher in the coming year. Over the past year the company has been reworking mine plans, cutting costs, and selling assets in the face of lower precious metal prices. In addition, Goldcorp is also aiming to boost its output by more than 30% over the next three years.

The company is also exploiting its strong balance sheet to take advantage of the crisis in the mining industry. In January, the company bid \$2.6 billion for **Osisko Mining**. Goldcorp could exit the recent downturn stronger than before by picking up some assets on the cheap.

Foolish bottom line

When Ray Dalio speaks, investors should take notice. One of the world's smartest investors is warning against keeping your wealth in fiat money. It may be time to add hard assets to your portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:NEM (Newmont Mining Corporation)
3. TSX:ABX (Barrick Mining)

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