



A Different Way to Invest in Gold and Silver

Description

Instead of investing in mining companies, you can invest in gold and silver through royalty or streaming companies. A royalty company pays an upfront fee to help fund the development of different mines. In exchange, it gets the right to buy the precious metal mined.

Streaming companies give upfront financing for mining companies requiring capital and in return receive streaming agreements, or Net Smelter Return royalties. Typically, royalty and streaming companies offer less risk than operating gold enterprises. Here are two companies to consider.

1. Franco-Nevada

Franco-Nevada ([TSX: FNV](#))([NYSE: FNV](#)) concentrates on gold. It is both a royalty and a streaming company. The company also has interests in platinum group metals, or PGMs, and additional resource assets. Franco-Nevada is the leading gold royalty and streaming company by both gold revenue and the number of gold assets.

As the company stated in its *2014 Asset Handbook*, “Franco-Nevada has substantial cash with no debt and is generating free cash flow that is being used to expand its portfolio and to pay dividends.”

For Q1 2014, Franco-Nevada had 65,836 gold equivalent ounces. This represents an 11.8% increase over Q1 2013. The company also earns some revenue from oil and gas assets. It earned 79% of its revenue from precious metals, with 67% from gold and 12% from PGMs. In addition, 78% of its revenue was from North America and Australia, with 35% from Canada, 21% from the U.S., 17% from Mexico, and 5% from Australia.

Last month, Franco-Nevada declared an increased quarterly dividend of \$0.20 per share. This represents an 11.1% increase from the prior \$0.06 per share monthly dividend.

2. Silver Wheaton

Silver Wheaton ([TSX: SLW](#))([NYSE: SLW](#)) is the largest precious metals streaming company globally. Its forecast 2014 annual attributable production is approximately 36 million silver equivalent ounces.

This includes 155,000 ounces of gold. By 2018, it anticipates annual attributable production to grow considerably to around 48 million silver equivalent ounces. This includes 250,000 ounces of gold.

At present, Silver Wheaton has the silver produced by the San Dimas, Yauliyacu, Peñasquito, and Barrick mines. It also has the gold produced by the 777, Sudbury, and Salobo mines. In addition, it has the silver and gold produced by its “other” mines segment and corporate operations.

Recently, Silver Wheaton announced that it joined the World Gold Council, the market development organization for the gold industry. Silver Wheaton has made acquisitions of gold streams from **Vale** ([NYSE: VALE](#)) and **HudBay Minerals** ([TSX: HBM](#))([NYSE: HBM](#)). Consequently, Silver Wheaton has witnessed a major increase in its current and forecast future gold production.

On May 5, 2014, the company’s board declared a dividend of \$0.07 per common share. Silver Wheaton’s stated dividend policy is that the quarterly dividend will be equal to 20% of the average of the previous four quarters’ operating cash flow.

Can’t “dig” investing directly in mining companies that actually dig into the ground? Consider royalty and precious metals streaming companies as an alternative way to add gold and silver to your stock portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:FNV (Franco-Nevada)
2. NYSE:VALE (Vale S.A.)
3. TSX:FNV (Franco-Nevada)
4. TSX:HBM (Hudbay Minerals Inc.)
5. TSX:WPM (Wheaton Precious Metals Corp.)

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Author

mugulini

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