



5 Mining Stocks Billionaire George Soros Is Buying

Description

It's a case of do as I say, not as I do.

In 2010 at the World Economic Forum, legendary investor George Soros called gold "the ultimate asset bubble." He failed to mention, however, that his hedge fund had just doubled the size of its position in the yellow metal.

More recently, Soros has been stepping up his gold bets again. This time, he has been silently building positions in mining companies rather than the underlying commodity itself. Presumably, this is because mining firms stand to benefit even more if metal prices rally because of the inherent leverage in the business.

So which companies is Soros buying specifically? Let's troll through his latest SEC filing.

Barrick Gold

It's no surprise to see **Barrick Gold** ([TSX: ABX](#))(NYSE: ABX) at the top of this list. The company is the largest gold producer in the world, and Barrick shares have the most liquidity. That's important for an investor like Soros who has to move billions of dollars around the market.

That said, there is an impressive turnaround shaping up at Barrick. Management is cutting costs and selling off unprofitable assets. And the company's Chief Executive Jamie Sokalsky has installed a new operating philosophy at the firm. No longer is Barrick focused on growth for the sake of growth, but rather maximizing returns for shareholders.

Barrick has also cleaned up its act in the boardroom. Founder and Chairman Peter Munk, the quarterback behind the company's disastrous expansion in the 2000s, is out. Barrick has also added a slew of new independent directors to the board and revamped its compensation practices to be better aligned with the interests of shareholders. All of these efforts are beginning to show up in the company's financial results.

Yamana Gold

Yamana Gold ([TSX: YRI](#))([NYSE: AUU](#)) is a new addition to the Soros portfolio. According to SEC filing published in May, Soros Fund Management purchased 2.2 million shares valued at more than \$19 million in the Canadian mining giant.

It has been ugly at Yamana. Over the past nine months, the company has lost more than a third of its value and the past quarter could be described as mixed at best due to lower metal prices and higher expenses. Though executives explained that many of these expenses were front-loaded into the quarter and cost-cutting initiatives should improve margins in the months ahead.

With this behind the company, Yamana's recent acquisition of Osisko Mining has strengthened the bull thesis. The deal will provide a big boost to the company's growth profile. Investors also like Osisko's low-cost, low-risk assets.

Silver Wheaton

Perhaps the best way to play the mining industry isn't to buy miners at all. Rather, it has been more profitable to buy companies that finance new mining projects.

Silver Wheaton (TSX: SLW)(NYSE: SLW) is a great example of this concept. Rather than operate a mine itself, the company buys stream of future gold and silver production in exchange for an upfront cash payment. This provides shareholders with exposure to precious metal prices with the risks that typically plague the mining industry.

Soros clearly likes this idea. Last quarter, he initiated a new position in Silver Wheaton buying 400,000 shares valued at \$9.1 million.

Goldcorp

Goldcorp (TSX: G)(NYSE: GG) is another new addition to the Soros portfolio. Like Barrick, Goldcorp offers plenty of liquidity. And last quarter, he added 42,000 shares valued at \$10.8 million.

The company fared much better than the rest of the mining industry during the recent downturn in large part due to its conservative management team. Goldcorp has minimal debt. And thanks to its low-cost structure, the company was even able to maintain its dividend.

Because Goldcorp has some of the lowest cost mines in the industry, the company should be able to ekk out a meagre profit in 2014. However, if metal prices rally in the slightest, we could see Goldcorp's profits explode higher.

Pan American Silver

Like the rest of the mining industry, **Pan American Silver** (TSX: PAA)(NASDAQ: PAAS) has been disappointing for investors. Thanks to weak silver prices, the company was forced to write off millions of ounces in reserves and defer new expansion projects. This resulted in the company posting millions of dollars in losses.

Yet despite the ugly financials, the bull thesis is starting to strengthen. Like Goldcorp, Pan American was one of the few miners to maintain its dividend through the recent downturn and today the stock yields a hearty 3.3%. That payout looks sustainable over the medium-term given the company's ample cash reserves.

The underlying business itself is also improving. Thanks to aggressive cost-cutting initiatives, Pan American is generating solid cash flow. And last quarter, silver and gold production grew 5% and 43% year-over-year respectively.

The bottom line is that one of the world's smartest investors is betting big on the mining industry. It's a solid sign that the sector has hit bottom.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)
3. TSX:WPM (Wheaton Precious Metals Corp.)
4. TSX:YRI (Yamana Gold)

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