



## Canada's Miners: The Good, the Bad, and the Ugly

### Description

If you're looking for cheap stocks in today's market, then good luck; seemingly every sector has enjoyed a great run recently and bargains are very difficult to find. But one sector has gotten left behind: mining. Over the past three years, the **S&P/TSX Capped Materials Index** has lost about 12% per year, and for many mining companies, the story has been far worse.

So does that mean you should start buying mining stocks? Not necessarily – mining is still a very dangerous game, and you don't want to pick the wrong company. On that note, below we look at the good, the bad, and the ugly of Canada's mining sector.

### The good: First Quantum Minerals

**First Quantum Minerals** ([TSX: FM](#)) is not only one of Canada's best-run miners, it's also one of Canada's best-run companies. The key to First Quantum's success comes down to two things it does very well (both of which are quite rare in the mining sector): buying assets cheaply, and developing them within budget. As a result, First Quantum's shareholders have done remarkably well; the shares have returned over 40% per year over the last 15 years.

The only downside with First Quantum shares is the price. Over the past three years, the shares are down only 7%, meaning you may not be getting a discount. But if you're investing for the long term, you want a proven performer in your portfolio, even if it costs a little extra.

### The bad: Teck Resources

Life has not been fun for shareholders of **Teck Resources** (TSX: TCK.B)(NYSE: TCK) ever since CEO Don Lindsay took over in 2005. First came the ill-advised takeover of Fording Coal right before the economic crisis, which nearly bankrupted the company. Then more recently came weakness in Chinese investment spending, causing prices of Teck's top money maker, steelmaking coal, to collapse.

So Teck's shares are certainly depressed, having fallen from \$60 in 2011 to the mid \$20s today. But if you're investing for the long term, you want a company that's less exposed to the Chinese market, and

also one that has a better track record. So you're better off staying on the sidelines.

### The ugly: Kinross Gold

There have been a few gold miners that have caused major headaches for investors, and **Kinross Gold** ([TSX: K](#))([NYSE: KGC](#)) is a perfect example. The company's biggest mistake was its takeover of Red Back Mining in 2010 for \$7.1 billion, nearly 80% of which has now been written off.

That acquisition, combined with falling gold prices, has crushed Kinross's shares, which are down 73% over the past three years. So the shares certainly seem cheap today. But like Teck Resources, this is not necessarily a bet you want to make. Instead, you should go with a company that has demonstrated an ability to make good decisions and spend money wisely. As for Kinross, it's best to steer clear.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:FM (First Quantum Minerals Ltd.)
4. TSX:K (Kinross Gold Corporation)
5. TSX:TECK.B (Teck Resources Limited)

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