

## 3 Reasons to Bet Like George Soros on Yamana Gold Inc.

### Description

It has been a wild ride for precious metal investors over the last year and while gold has rallied, the outlook for precious metal prices continues to remain volatile.

This volatility is being caused by a range of mixed economic, geopolitical and market signals, which sends prices higher one day and depresses them the next.

#### 1. Wall Street continues to bet big on a gold rally

Already earlier this year investors saw gold rally, followed by a slump, as better than expected global economic growth firmed the positive outlook for equity markets. Over the last year gold has gone up 2%, while silver prices have remained relatively flat, yet a range of Wall Street investors have amassed some pretty solid positions among precious metal miners. This indicates that they know something the average investor doesn't about the direction of precious metal prices and an impending gold rally.

Along with a range of bets on gold miners including US\$120 million in **Barrick Gold Corp.** ([TSX: ABX](#))(NYSE: ABX), famed billionaire George Soros has invested \$21 million in **Yamana Gold Inc.** ([TSX: YRI](#))(NYSE: AUU). After Barrick this is one of the biggest bets he has made on the beaten-down gold mining industry, but he is not the only one, as other major Wall Street investors have pumped in over \$27 million into the company during the second quarter 2014.

This should be a signal for investors to take a closer look at Yamana, with such large chunks of institutional money being thrown at the company, so let's dig a little deeper and see what we can find.

#### 2. Yamana set to take advantage of higher gold prices

With a range of indicators pointing to an imminent rally in gold prices Yamana is well positioned to take advantage. The company has been able to steadily grow gold production, with Q2 2014 production jumping a very healthy 22% from Q1 and 12% compared to the equivalent quarter in 2013. This has allowed Yamana to take full advantage of the rally in gold prices earlier this year, while retaining one of the lowest cost structures in the industry. Yamana beat the consensus forecast among analysts by 67%, reporting net adjusted earnings of \$0.05 per share.

For the same period Yamana's all-in-sustaining-costs were \$864 per ounce, which is a 5% increase quarter-over-quarter, but a healthy 6% decrease year-over-year. This highlights the healthy margin Yamana is able to generate per ounce of gold mined and sold, as well as the company's ability to remain profitable even if gold prices slide lower.

Furthermore, despite the quarter-over-quarter increase, it remains among some of the lowest in the industry and compares favourably to its peers. For the equivalent period Barrick reported all-in-sustaining-costs of \$865 per ounce, **Goldcorp Inc.** \$852 per ounce and **Newmont Mining Corp**

\$1,063 per ounce.

### 3. Production will continue to grow

One of Yamana's key strengths is its diversified asset base with a range of exploration and producing mining assets under development. This includes Canada's largest and one of its lowest cost gold mines, the Malartic mine in Quebec. Yamana acquired a 50% interest in the mine, after it and partner **Agnico Eagle Mines Ltd** ([TSX: AEM](#))([NYSE: AEM](#)) acquired **Osisko Mining Corp** earlier this year.

This mine holds considerable potential for Yamana and Agnico Eagle, and is expected to have a production life of 14 years. Once ramped up to full commercial production, it has the capacity to produce 600,000 ounces of gold annually. It will be a key future contributor to Yamana's growing gold production at a relatively low cash cost of \$672 per ounce.

But the positive exploration and development outlook doesn't stop there. Yamana has three mining assets under development, which are in various stages ranging from permitting, feasibility reviews and pre-development work. The first set to come on line will be the Cerro Moro project in Argentina, with initial production expected in 2016. It also has exploration and development programs in place for existing producing mines, which over the long term will boost its gold reserves and production capacity.

All of these factors indicate Yamana is well positioned to benefit from even a slight spike in the price of gold and a sustained rally will see the company deliver solid full-year 2014 results. Furthermore, patient investors will continue to be rewarded by the regular dividend payments yielding 1.7%, as they wait for the share price to appreciate.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:AEM (Agnico Eagle Mines Limited)
5. TSX:YRI (Yamana Gold)

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