



Billionaire Jorge Lemann Bought \$11 Million of Silver Wheaton Corp.; Should You Buy, Too?

Description

You have probably never heard of Jorge Paulo Lemann, but in the inner circles of Wall Street, he's a well-known name.

Mr. Lemann is the founder of an exclusive investment club called 3G Capital. Bill Clinton's son-in-law, Marc Mezvinsky, was once a partner there. Most of the club's dealings are in a "private stock market" that is usually off-limits to ordinary investors.

However, 3G Capital has also been known to invest in publicly traded companies. Based on the firm's extraordinary track record, I always pay attention to what stocks Mr. Lemann is buying. And right now, he's making some interesting bets on the Canadian mining industry.

If you don't buy this stock now, you'll kick yourself later

According to recent SEC filings, Mr. Lemann has begun accumulating a position in **Silver Wheaton Corp.** (TSX: SLW) (NYSE: SLW). As of June, 3G Capital had purchased 400,000 shares of the Canadian metals giant. In total, his stake is worth US\$10.5 million.

Here's what makes Silver Wheaton interesting: It doesn't actually own or operate any mines at all. Instead, it is known as a "streaming metals business."

It works like this: The company fronts resource firms with cash they need to fund construction of new mining projects. In exchange, it has the right to buy a percentage of the mine's gold or silver production, usually at a steep discount to market prices. In essence, Silver Wheaton is like a banker for the mining industry.

It's not hard to see the advantages of this business model. Most miners operate on razor-thin margins. You can watch your profits evaporate if you run into labour strikes, cumbersome government regulators, or expensive engineering problems.

Silver Wheaton, in contrast, pays an average of US\$4.15 per silver equivalent ounce. At current prices,

the company can generate profit margins between 80% and 90%. That's a heck of a lot better than your traditional mining operation.

This explains why Silver Wheaton shares have outperformed. Over the past decade, the stock is up 900%, handily beating its mining peers. I expect those gains to continue given that the company's precious metal production is on track to double by 2018.

This "mining" company could triple your money

Silver Wheaton has been out of favour with investors over the past few months, but other Wall Street insiders are taking advantage of the pullback to build their positions. A number of respected money managers including John Hussman and Ray Dalio own large positions in the stock. Billionaire investor George Soros has also accumulated a US\$10 million stake.

Mainstream investors don't like Silver Wheaton, but the smart money is moving in. Which side of this trade do you want to be on?

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WPM (Wheaton Precious Metals Corp.)

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