



3 Reasons Why Silver Wheaton Corp. Is the Leading Silver Investment

Description

I have been particularly bullish on the [outlook for silver](#) for some time and believe recent softness represents a buying opportunity with the [precious metal heavily](#) undervalued. But with a wide range of investment options available, it can be difficult for investors to determine which is the most desirable. These options include physical bullion, bullion trading accounts, exchange-traded funds and silver mining stocks. But I believe it is precious metals streamer **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW) that's the superior option.

Let's take a closer look at just how Silver Wheaton stacks up and why it is the leading method of investing in silver.

1. Costs

The ownership of physical bullion can be a costly affair with insurance and storage fees weighing heavily upon any return. There are also significant buy/sell spreads particularly for retail investors. These can see sell prices discounted by anywhere up to 38% when handling physical bullion such as coins or bars, or by around 2% to 3% when using a bullion trading account.

Even exchange-traded funds, which are a superior, more liquid investment to bullion, still come at a cost for investors, who are charged an annual management or administration fee, levied on the total assets under management. The world's largest silver ETF, the **iShares Silver Trust** ([NYSEMKT: SLV](#)) levies an annual fee of 0.5%, while the **Sprott Physical Silver Trust** (TSX: PHS.U)(NYSEMKT: PSLV) charges 0.56%.

While they may not appear significant, over time they erode investor returns, reducing the total capital gain received. Whereas, any investment in Silver Wheaton like other stocks, does not attract an ongoing fee, only brokerage at the time it is bought or sold.

2. Leverage

Any investment in bullion or a silver ETF will only mirror the spot price for silver. Yet Silver Wheaton, like silver miners provides leveraged exposure to the spot price of silver. This gives investors a bigger

bang for their buck compared to investing in either bullion or an ETF.

The degree of leverage is reflected by the superior returns Silver Wheaton has delivered for investors over the last five years when compared to the iShares Silver Trust. For that period, Silver Wheaton has rewarded investors with an impressive return excluding dividends of 65%, while the iShares Silver Trust has returned a paltry 3.4%.

3. Risk

As a precious metals streamer, Silver Wheaton is not a mine operator. Essentially, it raises funds that it lends to miners, which they use to develop their silver mining assets. In return, Silver Wheaton receives a portion of the silver produced, typically at a significant discount to the spot price for a defined period or quantity.

This allows it to capitalize on any premium in the spot price of silver without exposure to the same types or degree of risk as silver miners, primarily because it doesn't have the same operating overheads or extensive capital expenditure requirements for mine exploration or development in order to sustain production.

Furthermore, with a diversified asset base of 800 million ounces of silver reserves spanning three continents and 19 operating mines, many of the geopolitical and economic risks associated with silver mining are mitigated.

It is easy to see why Silver Wheaton has garnered so much attention in recent years among investors. The company clearly shapes up as the best means of obtaining leveraged exposure to the price of silver, with considerably lower risk than any of the silver miners.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSEMKT:PSLV (Sprott Physical Silver Trust)
2. NYSEMKT:SLV (iShares Silver Trust)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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