



Silver Wheaton Corp. Is a Golden Investment Opportunity

Description

Silver Wheaton Corp. (TSX: SLW)(NYSE: SLW) offers investors all of the benefits of investing in precious metals without many of the downfalls. Even better, it provides upside that a direct investment in silver or gold can't offer. Add it all up and Silver Wheaton is a golden investment opportunity for those seeking exposure to precious metals.

Silver Wheaton vs. traditional miners

When an investor buys stock in a gold miner like **Goldcorp Inc.** (TSX: G)(NYSE: GG), that investor is making two big bets. First, that the price of gold will rise and second that Goldcorp will earn that investor a leveraged return on the price of gold because the company can increase its production of that precious metal by opening new mines. The problem with this is that Goldcorp also exposes that investor to risks outside just the price of gold. It has exploration risk as a new mine might not turn out as planned. On top of that, its operating costs could soar and eat into the profits earned from mining gold. Meanwhile, smaller gold and silver miners have fewer assets, so a work stoppage or water shortage could have a big impact on production.

Not so with Silver Wheaton, which offers investors all the benefits of investing in a gold or silver miner with a lot more downside protection. For example, operating costs are fixed based on the streaming contracts it signs with miners. This enables the company to provide its investors with a sustainable dividend at all commodity prices. On top of that, the company has no exploration costs, but yet it still enjoys the upside to exploration projects. That's all of the upside of investing in a mining stock, yet with limited downside risk.

Silver Wheaton vs. ETFs/bullion

One of the ways investors have sought to mitigate these risks is by simply investing in precious metal ETFs or even the bullion itself. This ensures that the investor gets the exposure to precious metalsthey are seeking without some of the downside risks that come from the costs facing gold and silverminers. However, here again, Silver Wheaton offers investors this pure exposure, yet with additionalupside.

Silver bars don't pay their investors a dividend, yet Silver Wheaton does. While its dividend fluctuates along with the price of precious metals, it's a tangible return that's never offered by the physical metal. Meanwhile, Silver Wheaton offers investors additional upside from acquisitions, expansions, and exploration without the risks found in miners. In fact, the company expects to grow its silver production by 35% through 2018, with the optionality for even more growth if certain projects come online in time. Silver Wheaton thus provides investors with a lot of upside in addition to just rising precious metal prices.

Investor takeaway

Investors have long sought the security of owning precious metals to hedge against inflation and economic risks. However, with Silver Wheaton, investors can have that production with some added upside from growth. Not only that but it provides investors with a sustainable dividend that's a real big bonus over owning gold or silver bars, which actually cost money to store and insure.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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

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