



Value Investor Jean-Marie Eveillard Owns Royal Gold, Inc.; Should You Buy, Too?

Description

You've probably never heard of him. But anyone in the know on Wall Street has heard of Jean-Marie Eveillard. Eveillard entered the world of finance in 1962 with an analyst job at Societe Generale. In 1968, he started working for the SoGen International Fund, where he went on to earn double-digit annual returns for his investors.

Because of his track record, you should always watch what stocks Eveillard is buying. And right now, he's making some bold bets on the mining industry.

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

In recent quarters, Eveillard has expressed his concerns about inflation. That's probably why he bought big stakes in miners like **Agnico Eagle Mines Ltd.**, **Barrick Gold Corp.**, and **Kinross Gold Corp.** These metal producers are leveraged bets on gold and higher inflation.

He also owns another position. Buried inside a recent 13-F SEC filing, Eveillard disclosed that he own 867,000 shares of streaming giant **Royal Gold, Inc.** (TSX: RGL)([NASDAQ: RGLD](#)). As of June, his total stake was worth US\$67 million.

What's interesting is that Royal Gold doesn't actually produce any gold or silver at all. Instead, it buys what's called in the mining business as "streaming metal deals".

It works like this: The firm fronts mining companies with the cash they need to build new projects. In exchange, Royal Gold is given the right to buy some of a mine's output at a big discount to spot prices. This model has allowed Royal Gold to earn net profit margins over 25%.

That's a heck of a lot better than the returns you'll find in traditional mining companies. Finding, building, and operating a new mine is tough. You can watch your razor-thin profit margins vanish if a producer runs into overzealous regulators or an expensive engineering problem.

In contrast, royalty companies like Royal Gold can generate higher profits without taking all of that risk.

Their costs are fixed. That's why over the past decade, Royal Gold shares have shot up 300%, easily beating most of those regular old mining stocks. And those returns are likely to continue. Last quarter, Royal Gold posted a 22% year-over-year bump in revenues thanks in large part to the start-up of Mt. Milligan. As production at the project ramps up, we can expect to see that growth continue over the next few years.

And it gets better when you look past 2016. Royal Gold has over 160 properties in development, evaluation, or exploration. That could fuel big earnings growth for many years to come.

This “mining” company could double your money

Eveillard isn't the only hedge fund manager building a position in Royal Gold. Other well-known money managers — including Ken Griffin, Jim Simons, and Jacob Gottlieb — increased their stakes in the firm last quarter.

What could all of these business bigwigs see in Royal Gold? I'd say it means one thing: They think this stock going a lot higher.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NASDAQ:RGLD (Royal Gold, Inc.)

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