Why AGF Management Limited Thinks You Should Buy Agnico Eagle Mines Ltd.

Description

While speaking at a conference in downtown Toronto, **AGF Management Limited** portfolio manager Ani Markova made the case for investing in gold.

default watermark

She made some very familiar arguments. Gold has low (or even negative) correlation to equities, which helps to smooth portfolio returns. Gold also helps insulate investors against so-called black swan events, such as the financial crisis in 2008. Finally, Ms. Markova pointed out that mine lives are at their lowest in 30 years, which indicates that supply may be hampered down the road.

Of course, there are multiple ways to invest in gold. One is by investing in the metal itself (an ETF is usually the cheapest way to do so). Or one could invest in gold mining stocks. And there's one stock in particular that Ms. Markova likes.

Agnico Eagle

There are a number of reasons why Ms. Markova prefers **Agnico Eagles Mines Ltd.** (TSX:AEM)(NYSE:AEM) over other gold miners. First of all, the company's operations are located in Canada, Mexico, and Finland, all of which are very safe jurisdictions. This is in stark contrast to many of Agnico's peers. For example, **Eldorado Gold Corp.** is encountering numerous difficulties with Greece's socialist government. That's not the kind of thing investors should have to deal with, especially if they just want to bet on the gold price.

Agnico has a very strong history. The company has been around for 58 years, and remarkably has paid a dividend in all of those years.

Perhaps most importantly, Agnico has a very strong management team. Ms. Markova emphasized that they use very conservative accounting practices, and that they are very open with shareholders. The company has also proven very adept at increasing production per share, all without doing irreparable harm to its balance sheet.

Critics will point out that Agnico may have overpaid in the Osisko Mining acquisition a couple of years ago when it teamed up with **Yamana Gold Inc.** But Ms. Markova noted that Agnico has applied the same disciplined management process with the acquired Canadian Malartic mine, which has performed above expectations.

A reasonable price

Agnico Eagle is by no means a bargain. Ms. Markova estimated the company should generate $340 million in free cash flow this year, equating to a yield of just 3%. That being the case, it's a reasonable price to pay for such a solid operator, and as a result the company is a perfect way to gain exposure to gold. Lately, of course, that has a winning bet.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)

Category

1. Investing
2. Metals and Mining Stocks

default watermark

Date
2025/08/27
Date Created
2016/02/11
Author
bensinclair

default watermark