



3 Reasons for Investors to Invest in Gold With Franco Nevada Corp.

Description

Growing global economic uncertainty and market volatility has triggered a flight to safety among investors, which made the price of gold surge to a two-year high of US\$1,365 per ounce only two weeks ago. Even after softening in recent days, the shiny yellow metal, much disdained by famed investor Warren Buffett, is still up by 20% over the last year.

Despite sharing some of Buffett's views on gold, I believe there are three key reasons for investors to add some exposure to gold to their portfolios at this time.

Now what?

Firstly, gold has a long history as a safe-haven asset as it is one of the most durable stores of value. This is because over and over again, history has proven that during times of political and financial uncertainty, gold is not at risk of becoming worthless, unlike fiat currencies or other assets bearing credit risk.

As a result, gold is among the best assets to hold during a crisis, especially with its value being uncorrelated to that of stocks, which became very clear at the time of the Brexit when the **S&P/TSX Index** plunged by 3% and gold surged ahead by 5%. Gold is a powerful buffer for investors against the global proliferation of economic and political fissures.

Secondly, gold acts as a hedge against inflation and currency devaluation.

You see, gold is essentially recognized as mankind's default currency because it is a tangible asset that can't have its value eroded by being printed at will.

As a consequence, by having a portion of their savings in gold, investors can boost their long-term purchasing as the value of sovereign fiat currencies declines over time.

Finally, gold offers a convincing means for investors to diversify their portfolio because its value is not correlated to other assets such as stocks, bonds, or real estate. This characteristic helps to reduce investment risk and enhance returns during times of economic duress.

So what?

For these reasons, gold is an ideal way of reducing portfolio volatility, preserving value, and hedging against economic and political shocks. One way of gaining leveraged exposure to gold with far less risk than investing in gold miners is through precious metal streamers. It is here that **Franco Nevada Corp.** ([TSX:FNV](#))([NYSE:FNV](#)) stands out, because of its globally diversified portfolio of royalty and streaming assets across different projects, jurisdictions, precious metals and commodities.

You see, gold is only responsible for 69% of its earnings with the remainder coming from a mix of silver, platinum, oil, and natural gas. This helps to reduce risk and enhance Franco Nevada's returns.

Then there is Franco Nevada's low-cost operating structure, which allowed it to remain profitable even during the bear market in gold, when the lustrous yellow metal fell to as low as US\$1,060 per ounce, causing the majority of gold miners to report large losses. Now, with gold trading at over US\$1,300 per ounce, its margins will grow substantially, boosting profitability and giving its bottom line a healthy boost.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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