



Silver Wheaton Corp. Can Boost Your Portfolio

Description

Over the past few years, precious metals investors have felt like passengers on a high-speed roller coaster.

The price of gold has shot upwards to US\$1,900 an ounce and down to under US\$1,100. After remaining at multi-year lows, gold started to trend upwards last year for the first time in over half a decade, only to be reined in by the myriad of unexpected events that transpired last year from the Brexit vote to interest rates finally rising in the U.S., and then the election of Donald Trump as president.

When 2017 came around, gold prices were finally sitting higher than they were the previous year, and most gold producers managed to see their stock prices double.

If there's one thing that investors learned from the latest multi-year drop in gold prices, it's the importance of diversification. The addition of a streaming company such as **Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) would be a welcome addition to any portfolio.

Streamers differ from traditional miners in that they don't own or operate any of the mines; streamers provide upfront financing to the traditional miners, who will then set up operations and begin the process of mining.

In exchange for that upfront investment, streamers are allocated a certain amount of the metal produced from the mine at a significantly discounted cost. That cost could be as low US\$4.50 an ounce for silver and, in the case of gold, as low as US\$400 per ounce. Streamers can then sell the metal at the market rate, pocketing the difference.

Naturally, this translates into a less-risky business model for streamers, who don't need to be concerned with miners or facility buildings to support the mines.

Silver Wheaton offers a look to the future

Last month, Silver Wheaton noted that it was considering changing its name' more specifically, the

company wants to drop the “Silver” part of the name going forward. This proposed change, which shareholders will vote on next month, shows how Silver Wheaton has matured to include other metals, such as gold, as primary sources of revenue.

In fact, due to the steady uptick in gold production levels in each of the past few quarters, gold now accounts for half of the revenue generated by the company. In the most recent fiscal year, Silver Wheaton realized production of 353,700 ounces of gold and over 30 million ounces of silver, which was record production for the company. By way of example, gold production finished the year up 46% over last year.

This is significant for several reasons. Gold is already up a fair bit this year, and industry experts have long speculated that the price of gold could top US\$1,400 per ounce by the end of the year.

Additionally, barring unprecedented events, like the ones experienced last year, gold prices will steadily increase.

Is Silver Wheaton a good investment?

Streamers make great investment options, particularly for investors that are keen on maintaining a precious metals investment in their portfolio. Additionally, the bonus of knowing that streamers are not subject to many of the same risks that traditional miners are will be welcome news to long-time precious metals investors that still recall the 2011 price drop all too well.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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

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