Gold Is Showing Signs of Life Again: Which Company Is Best for Your Portfolio?

Description

After being off most investors radars for the past few years, gold is starting to show signs of life again.

Spot prices of gold bullion reached $1,249 per ounce as of yesterday's close — up 8% since the start of the year and up over 17% since the start of 2016.

Most investors won't participate in the actual buying and selling of physical gold, but will rather opt to speculate on the direction of gold prices through ETFs like the **SPDR Gold Trust (ETF)** (NYSEARCA:GLD), which is up 8% and 15% since the start of 2017 and 2016, respectively, very much in line with the underlying commodity.

Yet other investors will seek to generate alpha in their portfolios by trying to identify companies that will outperform both the underlying spot price and the ETF.

These three gold exploration and production companies have outperformed the returns of both gold bullion and the GLD ETF since the start of 2016.

Barrick Gold Corp. (TSX:ABX)(NYSE:ABX)

Barrick is arguably the most conservative or least-risky name on this list primarily owing to its size and position as the largest gold producer in the world.

Today, Barrick shares trade at over two times book value, which may scare off investors mostly concerned with value; however, the most compelling thing about ABX shares isn't the book value, but rather the cash flow.

ABX shares trade at just over seven times cash flow, and the company has been prudently scaling back on capital expenditures over the past five years to preserve the company's balance sheet.

This type of management should help to make investors feel comfortable that Barrick will still be around in 10 or even 20 years from now.

Yamana Gold Inc. (TSX:YRI)(NYSE:AUY)

Make no mistake about it; Yamana is not for the faint of heart. It's the contrarian play of the three names on this list.

YRI shares skyrocketed in 2016 from lows near $2 to a high of $7.64 for a whopping 282% return for those who were willing to bear the risk.

Since reaching those highs, however, shares have come back down to earth and now trade for just $3.47 on the TSX.

Some investors may find it difficult to get behind the fundamentals of Yamana's business as the company has been unable to post a profit since 2012.

This is probably why shares can be had for just 0.5 times book value today.

Kirkland Lake Gold Ltd. (TSX:KL)

Kirkland Lake IPO'd in July 2015 at $2.76 per share, and investors who were lucky enough to snap up shares have done very well for themselves. KL shares now sit at $11.77 for an impressive 326% return over that period.

Kirkland offers the best growth among the three miners with the company having seen top-line growth of 276% in 2016 and 99% last quarter.

Despite these frothy figures, KL shares trade at a forward P/E of just 12.9 times, offering investors an enticing combination of value and growth.

Which one is right for your portfolio?

While all three companies will be expected to trade in the direction of gold prices, each offers its own unique element of style to you as the prospective investor.

Investors favouring a buy-and-hold strategy will likely opt for Barrick, owing to its conservative balance sheet, while those looking to speculate may prefer Yamana for its deep-value qualities.

Kirkland, meanwhile, has managed to outperform the lot since its IPO, and despite that, it still offers the best combination of growth for value at today's prices.

Stay Foolish.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AUY (Yamana Gold)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:YRI (Yamana Gold)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date
2025/08/17
Date Created
2017/06/29
Author
jphillips