



Now Is the Time to Weatherproof Your Portfolio With Gold

Description

Escalating tensions between the U.S. and North Korea have brought geopolitical risk and the potential to disrupt financial markets firmly back into the spotlight. The events in northeast Asia, along with the ongoing unrest in the Middle East and growing political uncertainty in Europe, have all conflated to expand the level of risk for equities.

One of the key problems with this type of risk is assigning a value, so it can then be effectively priced in to the value of stocks. These events have triggered a sharp spike in volatility in financial markets in recent weeks, as evidenced by the VIX or **CBOE Volatility Index** spiking by 29% over the last month. This makes now the time for investors to consider weatherproofing their portfolios against the potential fallout from these geopolitical tensions by increasing their exposure to gold.

Now what?

Renowned hedge fund manager Ray Dalio, founder of Bridgewater Associates, the world's largest hedge fund, has recommended that investors bolster their exposure to gold. Dalio is of the belief that gold is the safe-haven asset most likely to benefit from the escalating political tensions in Asia and the U.S.

These tensions coupled with the plethora of political and economic fissures that exist globally have caused the price of gold to rise by 6% over the last month. It is quite likely that it will cross the psychologically important US\$1,300-per-ounce barrier.

Once it does, it will be a boon for gold-mining stocks, which offer investors levered exposure to the lustrous yellow metal. Senior gold miners, including **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) and **Goldcorp Inc.** (TSX:G)(NYSE:GG), are regarded as being among the best means of betting on higher gold. Since the end of the last gold bull market, they have focused on cutting costs, improving the quality of their gold reserves, and strengthening their balance sheets in recent years. That makes both appealing investments.

Nonetheless, it is the smaller miners that offer the most upside.

One of the most attractive is mid-tier gold miner **Kirkland Lake Gold Ltd.** (TSX:KL). Despite performing strongly in recent months to be up by 91% for the year to date, it still has plenty of potential upside on offer.

Since acquiring Vancouver-based Newmarket Gold, Kirkland Lake has been roughly handled by a market, which has failed, until recently, to fully appreciate the miner's true value and the considerable potential held by its assets. Those assets include the Macassa underground gold mine, which is rated as one of the highest-grade gold mines in operation globally. Ore grades at the mine improved during the second quarter, and all-in sustaining costs (AISCs) were an impressive US\$793 per ounce, which is among some of the lowest in the industry.

Kirkland Lake's Australian Fosterville Mine located near Melbourne is starting to hit its straps, recording record second-quarter production, rising ore grades, and AISCs of a mere US\$388 per ounce. This asset will continue to perform strongly to be a key growth driver for the miner over coming months.

There are also plans for Kirkland Lake to list on the NYSE this week under the ticker KL. This will boost liquidity and unlock further for investors, giving its stock price a healthy boost, particularly in an operating environment dominated by firmer gold prices.

So what?

Now is the time for investors to bolster their exposure to gold by adding Kirkland Lake to their portfolio. Not only will it help to weatherproof their portfolios against growing geopolitical risk, but they will benefit from the miner's quality assets and solid operations, which should give its stock a further lift.

CATEGORY

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2. Metals and Mining Stocks

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