



These Best-in-Class Gold and Silver Stocks Are on Sale

Description

The North American markets have been roaring on. While the markets are persistently going higher, precious metals stocks have been underperforming. When markets fall, these precious metals stocks tend to run up.

Among gold and silver stocks, the precious metals royalty and streaming companies, including **Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)) and **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)) are the safest and best ideas to invest in right now.

If you're not sure what to buy in an all-time high market, Franco-Nevada and Wheaton Precious Metals are excellent contrarian ideas.

Franco-Nevada

While the markets are near their all-time highs, Franco-Nevada is trading near its 52-week low. Franco Nevada is primarily a gold royalty and streaming company with a large and diversified portfolio of assets.

As explained on Franco-Nevada's website, royalties are ongoing economic interests in the production or future production from a property, while streams are metal purchase agreements that provide, in exchange for an upfront deposit, the right to purchase all or a portion of one or more metals produced from a mine at a preset price.

As of early August, for its precious metals portfolio, Franco-Nevada had 44 producing assets, 28 projects in advanced stages, and 139 in the exploration stage.



Last year, Franco-Nevada's commodity diversification based on adjusted earnings before interest, taxes, depreciation, and amortization was 89% precious metals (66% gold, 16% silver, and 7% platinum-group metals), 8% oil and gas, and 3% other minerals. Its geography diversification was 42% in Latin America, 18% in the United States, 21% in Canada, and 19% in the rest of the world.

In the second quarter, it generated 84% of its revenue from precious metals. In the long run, it aims for 80%.

Franco-Nevada has always been an expensive stock. Even after the recent dip, at about \$87 per share as of writing, it still trades at a blended price-to-earnings ratio (P/E) of about 58. However, it has traded as high as a P/E of 80 in 2015.

Currently, analysts at **Thomson Reuters** have a mean 12-month target of US\$85.10 per share on the stock, which represents almost 27% near-term upside potential.



FNV data by YCharts – Long-term price performance of Franco-Nevada stock

Observing the long-term price chart of Franco-Nevada, it has trended up in the long run. So, meaningful dips such as the one it's experiencing now is a perfect opportunity to buy shares.

Wheaton Precious Metals

Franco-Nevada explains on its website that “[s]treams are particularly well suited to co-product production providing significant value for by-product precious metal production. Streams are not royalties because they are not an interest in land and there is an ongoing cash payment required to purchase the physical metal.”

Wheaton Precious Metals is a low-risk way to gain exposure to precious metals, as it's a precious metals streaming company that has leverage to increases in silver or gold prices as well as growth via new stream agreements.

Currently, Wheaton Precious Metals has streaming agreements with 20 operating mines. Its partners are some of the largest miners in the world, including **Vale, Glencore, Goldcorp, Barrick, Pan American**, etc.

Currently, analysts at Reuters have a mean 12-month target of US\$27.80 per share on the stock, which represents +50% near-term upside potential.

Investor takeaway

Both Franco-Nevada and Wheaton Precious Metals are [great ways to protect your portfolio](#) from any corrections in the market. And they're incredible buys on the recent dips.

Between the two, Franco-Nevada is a better long-term holding, seeing that its price chart has a long-term uptrend. The same can't be said for [Wheaton Precious Metals](#), so it's probably better to aim to buy it at a low and sell it at a high.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

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1. NYSE:FNV (Franco-Nevada)
2. NYSE:WPM (Wheaton Precious Metals Corp.)
3. TSX:FNV (Franco-Nevada)
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