



Hedge Your Portfolio Against Uncertainty With These 3 Stocks

Description

Rising inflation, trade tensions, and currency uncertainties are all spelling trouble for the future of fiat currencies. In the longer term, gold seems to be in a compelling position if things really go badly. The fact that the current U.S. bull market is more than a decade old also makes conservative investors feel nervous. If things turn negative, it is highly likely that gold, the traditional safe haven, may be an investment that benefits.

Unfortunately for gold investors at the moment, everything seems to be working against this investment thesis. Interest rates and a strong American dollar, the arch nemeses of gold prices, have been moving up. Even technology seems to be working against it. Bitcoin and other cryptocurrencies may be drawing money away from gold in an attempt to diversify away from stocks.

As a result, both the yellow metal and gold-related companies are currently trading significantly lower than earlier in the year. If you believe that bad times may be on the horizon, now might be a great time to begin building a position that would benefit from an increase in the commodity's price.

One of the best ways to invest in the sector is to buy shares of gold-streaming companies. These companies purchase royalty streams from multiple miners. The companies receive a portion of the companies' revenues over time in exchange for upfront cash. This allows miners to avoid taking on more debt to get cash for operations. Streamers, due to the diversity of their royalty streams, have much less operational risk than is the case for the miners. There are three streamers that both pay dividends and trade on the TSX.

Franco Nevada ([TSX:FNV](#))([NYSE:FNV](#)) is the largest and most diversified of the three. The company now pays a dividend of 1.5% and has raised the dividend each year for a number of years. This company primarily invests in [precious metals streams](#) but has begun to diversify into other commodities, namely oil and gas producers. Franco Nevada aims to maintain a debt-free balance sheet, making it an extremely resilient investment choice in the event of a recession.

Wheaton Precious Metals ([TSX:WPM](#))([NYSE:WPM](#)) is another large, established option in precious metals streaming. This company pays a larger dividend than Franco Nevada at 2% at the current price,

although the dividend policy is more fluid than Franco's. The company originally focused on silver streaming but has recently moved to a more diversified portfolio.

Osisko Gold Royalties ([TSX:OR](#))([NYSE:OR](#)) is the newest of the streamers listed. It also pays a dividend of around 2% at the current price. While smaller than the other two companies, Osisko has the potential for faster [future growth](#). It does have more debt on its balance sheet than Franco Nevada, but it is also the cheapest of the three, currently trading at just below book value.

Which should you choose?

In short, the best way to approach an investment in a gold streamer is to invest a little in all three. Given its debt-free balance sheet and strong dividend policy, Franco Nevada should probably form the largest portion or even be the sole holding if you have to choose one. Each of these companies would be a good addition to a portfolio to gain exposure to gold as a hedge against uncertainty.

CATEGORY

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

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FNV (Franco-Nevada)
2. NYSE:OR (Osisko Gold Royalties)
3. NYSE:WPM (Wheaton Precious Metals Corp.)
4. TSX:FNV (Franco-Nevada)
5. TSX:OR (Osisko Gold Royalties)
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