



## Investors Looking for Exposure to Precious Metals Will Want to Pick Up This Streaming Company on the Dip

### Description

Shares in **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)) are down close to 18% so far to start 2018 and have fallen 23% since the first week of July.

However, the tide has been turning of late for the world's largest pure streaming company, with those shares gaining 11.4% since September 11, including a 3.5% gain in Thursday's trading session.

With momentum beginning to reverse course, is WPM stock a buy for investors looking to take advantage of the company's unique business model?

Wheaton Precious Metals, which previously went by the name of Silver Wheaton, operates a unique business model that it claims is solely designed to maximize value for the company's shareholders.

In essence, Wheaton gives cash up front to various metals and mining companies in return for a claim on the silver and gold by-product those mines produce.

In theory, it's a win-win for both parties, as the mining companies that Wheaton does business with aren't particularly interested in getting involved in the production and marketing of precious metals; meanwhile, the management team at Wheaton conversely holds a fairly aggressive bullish outlook on the long-term price for silver and, more recently, gold.

The added benefit to Wheaton's shareholders then is that beyond the initial upfront payment, they aren't responsible for maintaining ongoing capital expenditures.

Not only does that aspect devoid Wheaton of being on the hook to foot the bill for expensive high-risk growth projects, but it also means that if conditions at the mine suddenly deteriorate to the point where continuing to operate the mine is no longer economically viable, Wheaton isn't liable for the opportunity cost of sitting idle on billions' worth of assets.

Instead, it's free to deploy its capital towards more promising ventures or even return cash to shareholders by way of dividends or share buybacks.

### **Wheaton Precious Metals is a proxy play on silver and gold prices**

Wheaton has been designed to appeal to a certain segment of investors who want [direct exposure to silver and gold prices](#) without the overhang of taking on any operating risk.

A stake in Wheaton additionally provides investors with the added benefit of financial leverage in that shares in Wheaton should outpace the spot price of silver thanks to the company's creative business model; at the same time, it does not carry with it the extreme levels of leverage that make futures contracts in silver and gold unsuitable for many investors.

### **Bottom line**

Precious metals have tended to perform the best when markets are in a time of crisis, like during the 2008-09 financial crisis, when investors begin to doubt the credibility of financial markets.

If you are one of those who believes every investor ought to allocate at least a certain portion of their portfolio towards an investment in "real assets," because of its cost-efficient and low-risk business model, an investment in Wheaton is arguably as good as any other out there.

Investors looking to add to their long-term holdings in the precious metals sector [may be wise to pick up WPM shares](#) on their latest spell of weakness.

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### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

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

### **PARTNER-FEEDS**

1. Msn
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