

Why Now Is the Time to Boost Your Precious Metals Holdings

Description

Precious metals miners can make for some [interesting investment options](#).

On the surface of it, the business itself seems straightforward. Miners acquire a site, conduct studies over the potential reserves in the mine, set up the requisite infrastructure and staffing to begin mining operations, and then, once precious metals are extracted from the mine, sell them on the market for a profit.

It's straightforward, yes. But that model is also incredibly risky and costly, which is why a different take for investors looking to capitalize on the precious metals market are turning towards streamers such as **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)).

Streamers differ from traditional miners in that they don't actually own or staff the mines that they gain metals from but rather provide upfront capital to the traditional miners to begin operations.

In return for that upfront investment, streamers are allocated a portion of the metal extracted from the mine for a heavily discounted cost, which can then be sold on to the open market at the current market rate.

Apart from the returns made from selling those discounted metals at the market rate, streamers also benefit from the market price itself. Gold and other precious metals such as silver and palladium have appreciated in value over long periods of time. To put it another way, a streamer that holds their discounted metals for a period of time while prices creep upwards could, in theory, see even larger profits.

Wheaton, the world's largest pure streaming company, is a promising long-term investment worthy of consideration for a variety of reasons.

First, by providing that upfront injection of capital and leaving the operation of the mine to the traditional miner, Wheaton can move on to another mine (and possibly even another miner) without worry. This diversification aspect is huge and is part of the reason that Wheaton has a portfolio of 20 active mines and a further nine in various stages of development across a dozen countries on three different continents.

The second point worth noting is Wheaton's diversified portfolio of metals. When mentioning precious metals miners and streamers, we often immediately think of gold and silver, but rarely factor in other metals that in some cases can pose an even [greater opportunity](#) for investors.

Across all Wheaton's portfolio of mines, the company acquires gold, silver, palladium, and cobalt.

Cobalt is an interesting choice. Most of the world's supply of minable cobalt is in the Democratic Republic of Congo, where a multitude of concerns has made mining the metal difficult in recent years, leading the price of the metal to nearly triple in the past two-year period.

In that same time frame, gold has rebounded from its multi-year drop to sub-US\$1,100 per ounce but has struggled to persist for an extended period past the US\$1,200 per ounce level.

One more point to ponder is the market itself. We are still in the midst of an incredible bull run, but there are signs beginning to emerge such as rising interest rates and cooling home prices. Both of these could, in theory, lead some investors to move their investments to gold, which will drive prices and, by extension, Wheaton up.

Additionally, I'm not even mentioning other political, financial, or trade factors that could add further pressure to gold prices.

Finally, there's Wheaton's dividend. While many precious metal miners offer a dividend, Wheaton offers by far the most impressive among its peers; it currently amounts to an incredible yield of 2.14%.

CATEGORY

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