



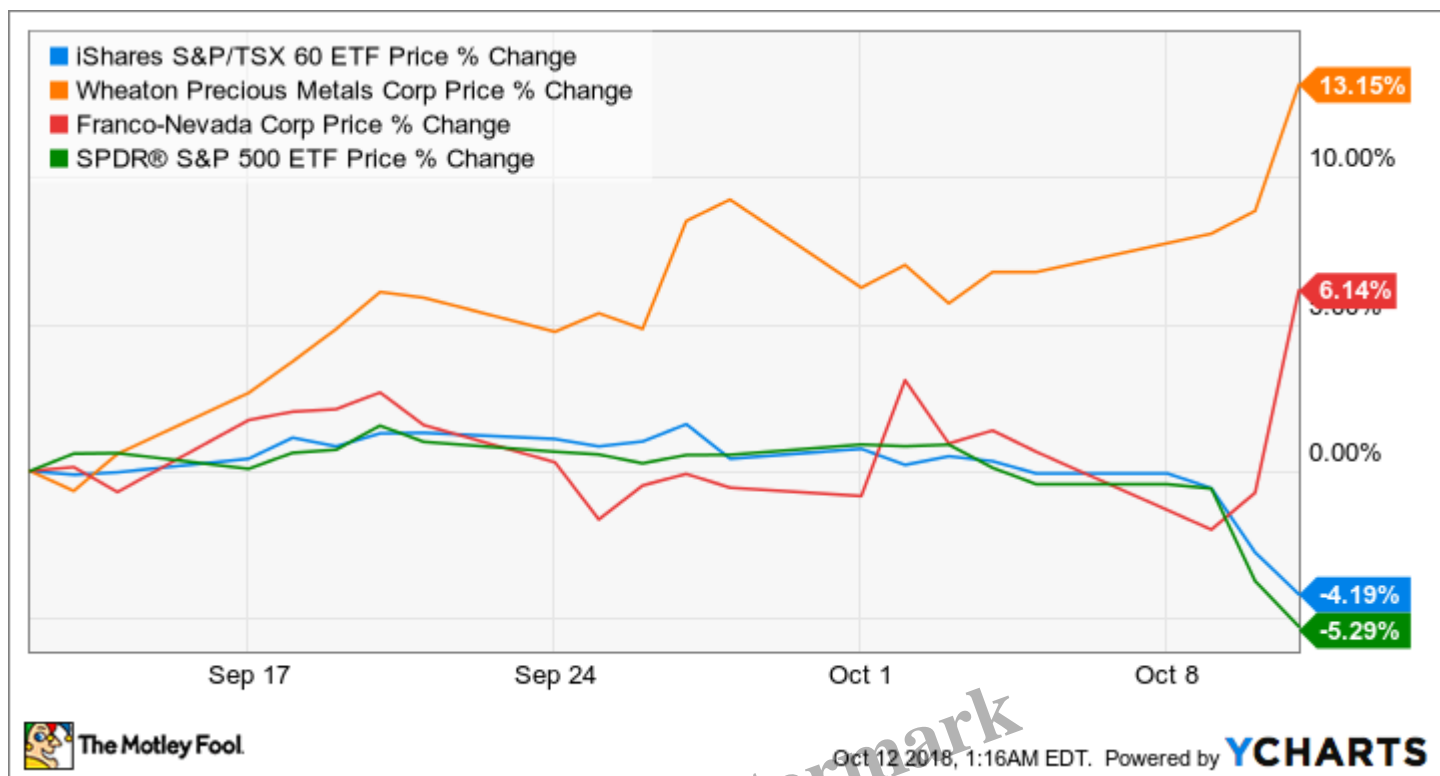
A Shining Light of Hope in a Dark, Turbulent Market

Description

The Canadian market (i.e., **S&P/TSX Composite Index**) has declined about 7.5% from its 52-week high. This has made some investors uneasy, and it's as good a time as any for investors to think about how to protect their portfolios.

Just about a month ago, when the North American markets were trading near their highs, I discussed [buying the underperforming stocks](#) of **Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)) and **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)) as protection for investors' portfolios.

The precious metals stocks have fared much better than the Canadian and U.S. markets since the article was published.



XIU data by YCharts. The recent price action of FNV, WPM, XIU, and SPY.

When there is turbulence in the markets, gold and silver stocks are excellent insurance. To make a more balanced article, I should mention that the stocks of large gold producers, such as **Barrick Gold** and **Goldcorp**, both popped meaningfully by 9.5% and 6.8% on Thursday.

However, Franco-Nevada and Wheaton Precious Metals have much more defensive businesses. So, they should be the top choice for conservative stock portfolios.

Why the royalty and streaming companies are defensive

Precious metals royalty and streaming companies have fewer operating risks than precious metals miners because they don't run any mines.

As a result, they're also very profitable and enjoy high margins. Franco-Nevada's and Wheaton Precious Metals's recent net margins were 33% and 36.5%, respectively. The companies also have a diversified portfolio to mitigate the risk of dependence on any single royalty or stream.



Here's an overview of the defensive businesses

Franco-Nevada is primarily a gold royalty and streaming company with a large and diversified portfolio of assets. As explained on its 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.

Franco-Nevada's precious metals portfolio is highly diversified. It has about 44 producing assets, 28 projects in advanced stages, and 139 in the exploration stage.

Wheaton Precious Metals is a precious metals streaming company with 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 and nine projects that are in development stages. Its partners are some of the largest miners in the world, including Barrick, **Glencore**, **Pan American**, **Vale**, and more, which produce gold or silver as a byproduct.

Investor takeaway

As of writing, Franco-Nevada and Wheaton Precious Metals are trading closer to their 52-week lows than their 52-week highs. If the market keeps showing signs of a storm, however long it'll last, the two stocks can be a shining light of hope in a dark, turbulent market — buying the shiny stocks now can prove to be [a nice protection](#) for investor portfolios going forward at current prices.

CATEGORY

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

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