



## Get Defensive With Your Precious Metals Portfolio

### Description

Over the past few months, the volatility that we've witnessed across the market has provided us with the opportunity to rebalance our portfolios and, more specifically, take into consideration some defensive options. Precious metals miners are rarely considered as defensive themselves, unlike the product that they produce, which has been seen as a safe and secure store of wealth for the millennia that we've been extracting it from the ground.

So, how can investors leverage that safe store of wealth reputation that precious metals offer while avoiding the volatile and riskier precious metals miner?

### Invest in a streamer

Streamers such as **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)) offer many of the benefits associated with traditional miners without any of the added risks. The reason for this can be traced back to the streamers simplified business model.

Streamers provide upfront financing to traditional miners who will then set up the mine and begin operations. In exchange for that upfront investment, streamers are allocated a certain amount of the metals extracted from the mine at a heavily discounted rate. The streamer could then choose to hold those metals or sell them to the market at the going rate.

As for that discounted rate that streamers are granted access to, it can be as low as US\$400 per ounce for gold and US\$4.50 per ounce for silver. The current rates for gold and silver on the market are near US\$1,280 and US\$15.40 per ounce, respectively.

In addition to the preferential price on purchasing metals, streamers also benefit from their arms-length relationship with the miners, which allows them to move on to another project once an investment is made, leaving the day-to-day operations (and risk) almost entirely with the miner. In many ways, this business arrangement encourages the streamer to diversify to multiple locations and with multiple miners, streaming multiple metals.

By way of example, Wheaton has over one dozen active streams around the world that include gold, silver, palladium, and, most recently, cobalt metals.

## Why Wheaton?

In addition to the [diversified benefits](#) that streamers offer, Wheaton also offers several unique advantages over its peers that investors should take into consideration.

First, Wheaton's long-standing issue with the CRA has finally been resolved. At issue was the foreign income the company earned for the tax years 2005 through 2010. Under the settlement reached with the CRA, that income is not subject to tax in Canada; however, a fee hike that Wheaton charges on its international operations will be adjusted moving forward that ultimately translates into higher income for Wheaton in Canada and, by extension, a larger Canadian tax bill future years.

Removing the taxation issue and its associated uncertainties will allow Wheaton to explore new streaming options, which is good for investors.

Second, let's talk results. Wheaton's most recent quarterly update could easily be interpreted by investors as completely negative, but that's far from the case.

In the most recent quarter, Wheaton saw silver production drop by 24.9%, while gold production realized an uptick of 6.7% over the same period last year. Palladium production only began in the most recent quarter and so could not be compared with a prior period. The production drop is largely attributed with the expiration of a streaming agreement, whereas the uptick in gold was attributed to new gold streams coming online.

In terms of revenue, Wheaton came in 8.5% lower than the same quarter last year to US\$185.76 million, but when comparing year-to-date figures the company is just 0.5% lower at this point in the year than it was in 2017.

One final point to make note of is Wheaton's dividend. The company's 1.84% yield on offer is a decent return that is more than double most of Wheaton's traditional miner peers while offering a vastly [more diversified and less risky](#) portfolio.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

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

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