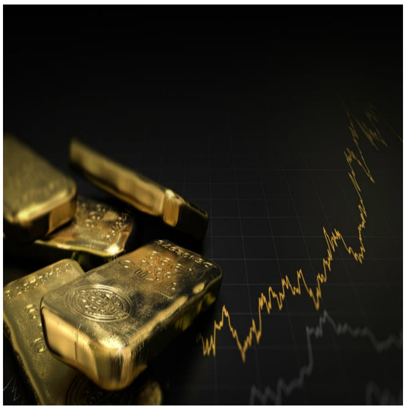

# TFSA Investors: Hedge Your Portfolio With These Gold Investments

### Description

With volatility and uncertainty rearing its ugly head recently, gold has started to stage a bit of a comeback. For the last few months, the precious metal has pushed above US$1,300 an ounce, making the investment a little more compelling than it once was. For centuries, gold has been a safe-haven asset and store of wealth that many investors still keep as an insurance policy of sorts. For this reason, it is widely believed that gold should represent around 5% of your total portfolio, including your holdings in your TFSA.



If you ascribe to that belief, then the next step is to decide which investment you will purchase to represent that 5% portfolio allocation. After all, investors do not only need to buy physical gold as chaos insurance. There are a wide variety of companies and ETFs that you can purchase to allow you to participate if gold suddenly becomes the safe haven of choice once again.

## Gold producers and royalty companies

A royalty company like **Franco-Nevada** (TSX:FNV)(NYSE:FNV) is my company of choice for gold exposure. Franco-Nevada is particularly attractive for two reasons: its balance sheet and its dividend. This royalty company is adamant about maintaining a debt-free status, with all additional loans being made out of cash flow. Furthermore, while the company is primarily focused on gold

It also pays a respectable dividend of 1.22%. While that dividend does appear small, it is quite attractive considering its stability, growth profile, and the fact that its small size is due to the share price appreciation over time. The company has raised this dividend for 11 consecutive years, even during times when many producers were cutting theirs.

Although Franco-Nevada has started to diversify its investment portfolio away from precious metals into oil and gas royalties, the company seeks to maintain at least 80% of its portfolio in precious metals investing. Although the Q3 2018 results were not stunning with revenue essentially flat year over year and earnings and net income down, the company has a long history of excellent returns. The full-year 2018 results will be coming out on March 19, so there should be more clarity into the company's performance at that time.

## Gold ETFs

If you want a more diversified approach to gold investing, buying a basket of gold companies through an ETF like **iShares TSX Global Gold Index ETF** (TSX:XGD) is another alternative. This ETF owns shares in Franco-Nevada as well as a multitude of other gold royalty companies and miners. The ETF pays a small dividend of 0.19% as of this writing and has a relatively high management expense ratio of 0.61%, so it is not cheap, but it does allow investors to participate in gold companies without company-specific risk.

Another alternative I have been looking at recently is buying a physical gold-backed ETF like **SPDR Gold Shares** (NYSE:GLD) or **iShares Gold Trust** (NYSE:IAU). Both of these ETFs are backed by physical gold stored in vaults. Therefore, these ETFs will be sensitive to the price of gold and track it closely. While I haven't yet purchased shares in these ETFs, I am considering them some to gain direct exposure to gold as a currency.



## Which should I put in my ETF?

If you're a dividend investor looking for income and capital appreciation from your gold holdings in your ETF, you should buy Franco-Nevada. It's solid, safe, and probably the best way to access the production side of the gold market. If you simply want to hedge your TFSA portfolio with pure gold exposure, either GLD or IAU are the way to go, although you should be comfortable with the fact that these are American-listed ETFs that are traded in USD.

**CATEGORY**

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

**TICKERS GLOBAL**

1. NYSE:FNV (Franco-Nevada)
2. NYSEMKT:GLD (SPDR Gold Trust)
3. TSX:FNV (Franco-Nevada)
4. TSX:XGD (iShares S&P/TSX Global Gold Index ETF)

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**Date**
2025/08/16
**Date Created**
2019/03/13
**Author**
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