



Forget Mining Stocks: Invest Your Money Here Instead

Description

Mining stocks can be incredibly lucrative.

Consider **Barrick Gold Corp.** Over the first six months of 2016, the stock rose 300%.

Mining stocks can also ruin your portfolio.

If you bought Barrick stock in 1995 and held it for 24 years, your total return would be *negative* 30%. Ouch.

Figuring out how to take advantage of mining's huge upside while limiting devastating losses has stumped investors for decades—until now. One \$1.4 billion Canadian company has cracked the code, enriching its shareholders along the way.

Mining *without* the mining

Here's the pitch. What if you could take advantage of a mine's success without risking the full loss of a failed project? That's exactly what **Sandstorm Gold Ltd** ([TSX:SSL](#))(NYSEMKT:SAND) does.

Sandstorm is what we call a "metals streaming" company," a business model that provides niche financing for mining projects.

Here's an example of how it works.

A mining company needs some funding in order to expand one of their projects, but traditional debt is incredibly risky. If the expansion isn't fruitful, lienholders could come after the rest of its producing assets. The company also doesn't want to issue equity and unnecessarily dilute shareholders at a depressed valuation.

Instead, the firm may choose to get financing with a metals streamer.

In this case, Sandstorm will lend the miner enough money to fund the expansion. In return, Sandstorm

receives a set amount of production at a fixed price once the expansion begins to produce output.

Until output is achieved, the mining company doesn't have to worry about interest payments and can instead deploy all of the capital to finishing the expansion. In return for this risk, Sandstorm is able to purchase gold for a discount of up to 70%.

Full diversification

Perhaps the biggest advantage of Sandstorm is that it can spread its risk across dozens of projects. This level of diversification is non-existent outside the largest miners in the world.

By investing in Sandstorm, you're getting exposure to hundreds of royalty assets in a single investment. It has investments in mines throughout the world, some with reliable multi-billion dollar giants and others with smaller players that have more upside.

Sandstorm stock really is the ideal way to get the huge upside of mining stocks while remaining as diversified as possible on multiple levels.

It is time

Now looks like a great time to buy Sandstorm stock.

Over the next few years, several streaming deals will come online unlocking huge amounts of free cash flow. Because the company runs an asset-light model, nearly all of this cash can be delivered to shareholders.

Executives are already starting the capital-return process by [repurchasing](#) 18.3 million shares, nearly 10% of the entire company.

"We feel like we're trading below NAV, so we are keen to keep buying back shares," says CEO Nolan Watson. He owns more than 1 million shares himself, so be assured that he's incentivized to grow your investment dollars quickly.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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1. TSX:SSL (Sandstorm Gold Ltd.)

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