



## Is it Time to Sell Franco Nevada Corp. (TSX:FNV)?

### Description

Gold is on a tear. With the uncertainties arising from a discredited US central bank, a new round of tariffs, and an already-weakened global economy, people are starting to flock to the traditional safe haven in droves.

Early investors in gold and gold-related stocks have been greatly rewarded. Is it time to take profits or should you hold onto this life raft for dear life?

Most of my gold exposure has been through holding **Franco Nevada Corp.** ([TSX:FNV](#))([NYSE:FNV](#)). For the past few years, I and other fellow fool contributors like [Brian Pacampara](#) have touted that this company is an excellent way to hedge against uncertainty.

With the shares rising about 30% year-to-date, this thesis has certainly proven to be true.

Franco Nevada is an excellent hedge for a number of reasons. The most important reason, in my opinion, is its debt-free balance sheet. This solid balance sheet lets the company weather tough times in the gold industry when other companies have to pull in their spending and cut dividends.

It is also very diversified. Franco Nevada gets streams of revenue from its investments in gold, silver, and oil companies located around the world.

As of its Q1 2019 report, 88% of its revenues came from precious metals like gold and silver and the rest from its oil and gas investments; 81% of its revenues came from the Americas, with around 40% coming from Canada and the United States.

Franco Nevada also pays an excellent dividend of just over 1% at the current share price. Usually, I would not use a commodity company's dividend as a measure of a solid investment, but Franco Nevada has proven over the years that [its dividend](#) is both secure and able to grow.

Earlier this year, Franco Nevada raised its quarterly payout by 4.17%. This marks more than a decade of increases from the company with more likely yet to come.

It is easy to see why this company makes a great hedge against uncertainty. Even with all the great attributes, however, and its proven record of operational excellence, the run-up in price does beg the

question of whether it is time to sell some or all of this company.

## Sell some of your shares

I would definitely not recommend selling all of your Franco Nevada shares. As we've witnessed, it is an excellent, growing company that will likely continue to perform should gold continue to rise and global uncertainty persist.

However, those excellent results have shifted risk to the downside in this stock. Fear is high, and so the demand for protection against that same fear is also high.

If things were to calm down — and history shows us that eventually, all moments of fear and panic tend to subside, Franco Nevada will likely pull back. If the resolution was swift and the markets calmed quickly, it would probably fall quite hard. Therefore, the prudent thing to do would be to sell a portion of your Franco Nevada holdings now.

If you assign each stock you own a 5% weighting of your total portfolio, for example, and Franco Nevada has grown to 8%, you could sell enough shares to bring the percentage down to 5% of your portfolio once again.

If you have several hundred shares, you could make use of options by selling covered calls on a portion of your holdings instead of directly selling your shares. This would provide extra income and even let you collect an extra dividend or two depending on your strike expiry date.

## Be conservative

Franco Nevada is an excellent company, so I would definitely not sell your entire holding. But selling a portion of your shares, or selling covered calls, will help you to lock in some gains.

Its shares have risen to the point where downside risk outweighs upside potential, so make sure you lock in some gains to maximize this stock as a volatility hedge.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks
4. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:FNV (Franco-Nevada)
2. TSX:FNV (Franco-Nevada)

### PARTNER-FEEDS

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

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