



## Defensive Investing: Have you Considered a Precious Metals Streamer?

### Description

Precious metal prices have inched up for much of 2019, with gold prices now hovering just shy of US\$1,500 per ounce, and silver closing on US\$18 per ounce as well. As with all things precious metals, that price movement can be attributed to dozens of different factors, ranging from the ongoing (and still unfolding) Brexit drama, to increasing market volatility. For investors, the price shift also signifies a nearly perfect time to consider adding a precious metals stock to your portfolio, and **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)) may be the perfect candidate to consider.

### How Wheaton is different

Unlike traditional miners, Wheaton is a streamer. Streamers differ from their traditional miner peers in that they don't actually own and operate any mines but rather provide an upfront capital injection to traditional miners in exchange for having access to some of the metal extracted from the mine at a heavily discounted rate. The traditional miner uses those funds to begin mining, while Wheaton moves on to the next mining opportunity.

The model has significantly less risk than a traditional miner, as Wheaton does not need to undertake the time and costs associated with identifying, procuring, and beginning operations in a mine. Furthermore, that discounted rate that I mentioned earlier can be significant, particularly in a market where precious metal prices continue to rise. By way of example, the rate that Wheaton pays for an ounce of gold can be as low as US\$400, with an ounce of silver coming in as low as US\$4.50.

That lower-risk, easier-access-to-mines approach is part of the reason why Wheaton currently boasts a portfolio of 19 active mines on three continents, with another nine in development.

### How Wheaton makes a great defensive investment

During times of uncertainty, investors have historically gravitated back to precious metals. The increased demand for precious metals drives prices higher, which results in growth for Wheaton's stock. Looking at Wheaton's stock price over the past 12-month period, which included several points

of volatility, is an example of that trend. The result is Wheaton's stock rising 50%, while the more volatile market pattered along, showing gains of under 10%.

There are two additional points to note that increase the appeal of Wheaton.

First, let's talk about quarterly results. Wheaton is set to report on the third fiscal quarter in a few weeks, so until then, the focus is on the second-quarter results announced this summer. In that quarter, Wheaton saw gold production soar 11.3% over the same period last year to 100,577 ounces, while silver production saw a 19.1% reduction to 4,834 ounces. That drop can be attributed to both the changing priorities of the company to stream a greater number of metals and existing streaming winding down.

In other words, as Wheaton continues to diversify into gold, palladium, cobalt, and other metals, the proportion of silver produced may continue to drop, but that drop isn't indicative of larger issues.

Finally, there's Wheaton's dividend. Precious metals miners are not known as income-producing investments. In fact, many miners offer just a paltry distribution that is more akin to a rounding error. In the case of Wheaton, the miner's distribution is based on preceding quarters' performance, which, under current market conditions, translates into a respectable 1.37% yield.

In my opinion, Wheaton is a [great long-term investment](#) that is well suited to any diversified portfolio. The company's dividend may not appeal to [income-seeking investors](#) but is representative of Wheaton's performance, which continues to improve.

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