



Does Your Portfolio Need a Precious Metals Streamer?

Description

Is **Wheaton Precious Metals Corp** ([TSX:WPM](#))([NYSE:WPM](#)) worthy of an investment? That's the pressing question on the minds of investors at the moment. While there are obvious advantages to investing in precious metal streamers like Wheaton, there are also factors weighing against an investment.

Let's make a case for both views.

The case for investing

As a precious metals streamer, Wheaton offers significant advantages over its traditional miner peers. First, the streaming business model comes with considerably less risk than the process followed by traditional miners.

Streamers provide upfront financing to traditional miners, who then use those funds to help set up the mine and begin operations. In exchange for that initial investment, streamers are permitted to purchase a certain amount of the metals extracted from the mine at a heavily discounted price.

That discounted price can be as low as US\$450 per ounce for gold and US\$4 per ounce for silver. By comparison, the market price for an ounce of gold currently hovers just shy of US\$1600 per ounce, while silver trades at US\$17.50 per ounce.

The streamer can then opt to hold or sell those precious metals on the market, offering even further gains. In addition to the lower risks inherent in this model, streamers are shielded from fluctuations in the price of precious metals.

That lower risk also means that Wheaton can move on to its next opportunity with ease, leaving the day-to-day operations to the traditional miner and allowing Wheaton to maintain a highly diversified portfolio of mines spanning various types of metals.

By example, Wheaton currently has 19 active mines and a further nine in development on three

continents. In terms of composition, Wheaton's current bevy of mines includes gold, silver, palladium and cobalt mines.

One final point is Wheaton's dividend. The current 1.23% yield on offer is based on the trailing performance of previous quarters. Fortunately, Wheaton's performance over the past few quarters has been largely positive, albeit investors should note that this also means that the payout is not fixed and could drop in the future.

The alternative to buying

Precious metal investments are extremely volatile investments. While many investors will try to forget the multi-year drop in prices witnessed during 2011-2015 that wreaked havoc on precious metal miners, gold prices still haven't returned to their peak price of near US\$1900 per ounce.

While Wheaton is shielded from much of pricing fluctuations, the company is still reliant on traditional miners to set up operations. If a crash in precious metal prices occurred, we could see belt-tightening among the traditional miners — as we saw in 2011 — that would then cascade down to Wheaton.

Finally, let's talk a bit about Wheaton's performance. The stock is currently trading on the expensive side, trading just over \$38, which is partly due to the insane 40% bump in price we've seen over the trailing 12-month period. While some of those gains can be attributed to Wheaton's performance during the period, there's also an element of fear.

Investors continue to be split on the prospects of a recession, with a bevy of external factors pushing fear, and extension, Wheaton's price up.

Some examples of this are the upcoming Brexit date, the unfolding impeachment trial in the U.S., the on-again off-again trade war with China and the potential impact of the coronavirus on Chinese and global markets.

In other words, as great an investment as Wheaton may appear at the moment, prospective investors would be [buying](#) in at a premium.

Final thoughts

Wheaton is a great investment. The streaming model comes with a lower risk when compared to its traditional peers, allowing Wheaton to quickly diversify its portfolio to other mines and metals.

That said, the current market conditions have helped to fuel a rally on the stock, pushing it into the stratosphere. In other words, prospective investors may be fare better opting for any number of defensive stocks, many of which provide a [stable dividend](#) at this juncture.

When Wheaton's price finally does come down a bit, it will make an excellent long-term holding.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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