



Gold Price at 6-Year High: Too Late to Invest in Gold Stocks?

Description

Gold is going for close to US\$1,600 per ounce, which is a six-year high. It could be the fear of missing out on a gold rally, as the price of the yellow metal has increased by 19% in the last 12 months.

Or it could be something more. With money printing by central banks around the world, one can only guess how much paper money is really worth today and in the future.

As concluded in *Investopedia's* article, "8 Reasons to Own Gold," published in June 2019, "Gold should be an important part of a diversified investment portfolio because its price increases in response to events that cause the value of paper investments, such as stocks and bonds, to decline. Although the price of gold can be volatile in the short term, it has always maintained its value over the long term. Through the years, it has served as a hedge against inflation and the erosion of major currencies, and thus is an investment well worth considering."

If you're looking for exposure to the shiny metal, you can consider **Franco-Nevada** ([TSX:FNV](#))([NYSE:FNV](#)) as a relatively safe choice.

A track record of strong returns

Since its initial public offering in December 2007, Franco-Nevada stock has delivered incredible total returns of about 21% per year, beating market, gold, and [gold miner](#) returns by a wide margin. The U.S. market return in the period was about 8%, while the returns of gold and gold miners were even lower.

A low-risk golden business

Franco-Nevada neither conducts any mining operations nor development and exploration projects. Instead, it has set up a massive portfolio of royalties and streams, allowing it to capture exploration upside with minimal risk.

Franco-Nevada generates about 80% of its revenues from precious metal streams across 56 active mines, but there are an additional 35 in advanced stages and 202 projects at exploration stages. This suggests humongous growth potential.

Dividend

The precious metal-focused royalty and streaming company has maintained high margins and low costs over the years, allowing it to increase its dividend every single year in the past 10 years at an average rate of 17%. Its more recent five-year dividend-growth rate is 9.3%.

That said, investors should view Franco-Nevada's dividend as a bonus given that it only yields 0.88% as of writing.

Investor takeaway

More or less in relation to rising gold prices, Franco-Nevada's stock price has set sail, arguably, since late 2018 and really went full speed ahead after mid-2019.

It may be too late to enter gold, unless you feel doom and gloom about the financial markets and view gold as a safe haven. And Franco-Nevada would be the safe haven of safe havens in the yellow metal.

Because Franco-Nevada yields less than 1%, investors should focus on its price appreciation prospects. However, even that isn't expected to be much at the recent quotation. In fact, the average 12-month analyst price target on the stock is US\$108, which suggests the stock is fully valued.

Therefore, it may be best for investors to seek returns elsewhere, such as in these [dividend stocks](#). At least they offer higher dividend income.

In the end, it doesn't matter what you invest in, as long as you generate satisfactory returns and feel comfortable about the risks involved.

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