



4 Top TSX Gold Stocks to Watch for a Pullback

Description

Gold. It's a must-have for any personal investment portfolio, providing a low-volatility scaffold with some passive-income and growth prospects. From the promise of multi-year capital gains to key safe-haven characteristics, gold stocks are a popular place to hide cash in choppy markets. But with risk ratcheting up in the stock markets, it's becoming harder to find solid value for money.

Rich valuations are becoming the norm for gold stocks

It's been a wild year for gold stocks. While a gold bull run had long been predicted for 2020, the reality exceeded expectations. So popular have gold stocks been this year that their momentum has brought back memories of cannabis stocks in their pre-legalization heyday. The problem for value investors looking to buy shares in the top gold names this fall is that rising uncertainty equals rising prices.

Franco-Nevada has already risen 52% since last year. This is an appealing pick since it affords even lower volatility than the average gold stock. The reason for this lies in Franco-Nevada's status as a streamer, which allows shareholders to shield themselves from some of the operation risk of an actual gold producer. Since Franco-Nevada owns royalties, it also brings a certain element of diversification; wait for a pullback, though, as Franco-Nevada trades at five times its book price.

The choice of billionaires

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) has climbed 61% in the last 12 months. Why buy? Barrick made the headlines earlier this year upon the revelation that **Berkshire Hathaway** had [picked up a significant stake](#) in the precious metals producer. Again, this is a name to watch for weakness.

The choice of investor Warren Buffett, Barrick is the billionaire option among top-tier gold names. However, it is somewhat on the expensive end of the spectrum. That makes it a key name to watch for a pullback. Investors should identify entry points pertinent to their financial goals and stash shares for the long term.

Then came the revelation that Warren Buffett had finally caved and started investing in gold. The news helped to prop up the 2020 bull thesis for the yellow metal. **Wheaton Precious Metals** is up 82% year on year, for instance, with a post-July plateau arguably sustained by Buffett-inspired bullishness. The gold bull thesis is likely to continue through fall, given the increasing potential for a [frothy final quarter](#).

There are also gold stocks out there that satisfy a growth thesis but are still reasonably valued in the grand scheme of things. Think about adding **Kinross Gold** to a portfolio instead of waiting for wish list names to drop in price. Kinross saw earnings growth shoot through the roof in the past year.

Five-year returns could see Kinross shareholders rewarded with total returns of around 320% by mid-decade. Kinross has gathered a lot of momentum in the last 12 months, gaining 85%. However, with shares selling at just twice their book value, Kinross undercuts the industry average P/B ratio of 2.8 times book. Compare this with the likes of Wheaton, which has a P/B of over four times book.

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