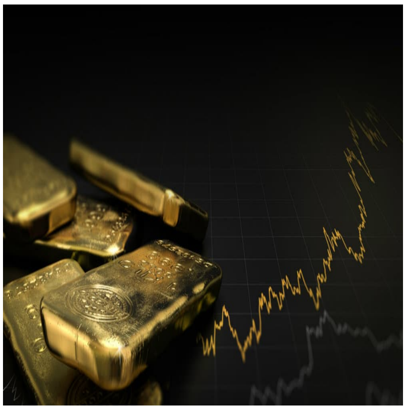

Got $6,000? Load Up Your TFSA With These 2 Gold Stocks

Description

One blessing that every New Year brings with it is the new contribution room for the Tax-Free Savings Account (TFSA). Even though the contribution limit hasn't been increased for 2021 and you can only contribute $6,000, this is enough if you choose the right stocks to invest in.

One of the sectors that outperformed many others, especially immediately after the market crash, was the mining sector, led mostly by gold. Since in a market crash, investors tend to flock to the safe-haven metal, bumping up the price and, consequently, the market value of gold companies.

But what happens when the economy has fully recovered? Though it's not a rule of thumb, it's often seen that many gold stocks don't perform as well when the economy is strong, and diverting the cash you'd invest in them to another growth/dividend stock might be a more profitable long-term strategy. But there are gold stocks that might be worth considering for your TFSA, regardless of the economy's condition.

A gold mining company

Dundee Precious Metals (TSX:DPM) is a Toronto-based mining company with operations in Namibia and Bulgaria. It has 100% ownership of two mines in Bulgaria and 92% ownership of a mine in Namibia. It's is also in the process of developing a mine in Serbia. The portfolio also includes small investments in three other projects as well. The company produced about 298,300 ounces in 2020, and that's the higher end of the 2021 outlook.

Apart from gold, the company has a strong copper-mining front as well, which gives it a little leverage when the gold is not performing so well. Unlike other gold mining companies that saw their stock skyrocket after the pandemic crash, Dundee's share price grew steadily even before the crash. Between January 2016 and January 2020, the stock price almost grew 400%. The five-year compound annual growth rate (CAGR) is a robust 51.27%.

While the stock is a bit overpriced, it might be justified considering its growth potential. It also pays dividends, and the current yield is 1.72%.

A royalties company

Abitibi Royalties (TSXV:RZZ) is one of the star growers in the venture capital market. Its growth has been even more consistent and powerful than Dundee's, and with an even safer business model. Unlike mining companies, royalty companies like Abitibi only have exposure to the mining operations is through their investments. This way, such companies benefit from the upside of mining operations while being relatively sheltered from a few inherent risks.

The company had a fantastic growth pace in the years leading up to the March crash, and it took less than three months for it to reclaim its pre-pandemic valuation. The five-year CAGR comes out to about 53.3% and offers a yield of 0.73%.

Foolish takeaway

If you invest $6,000 into these two companies ($3,000 each), and they keep growing at their current pace for the next five years, you might grow your initial investment to $49,000 in half a decade. Even if one of the two investments pays off, you might quadruple your money in just five years.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:DPM (Dundee Precious Metals)

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1. Business Insider
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