



## Worried About a Market Crash? Hedge Your Portfolio with This Top TSX Stock

### Description

In life, I think it's broadly true that investors get what they pay for. In the case of **Franco-Nevada Corp.** ([TSX:FNV](#))([NYSE:FNV](#)), this is certainly the case. The stock trades around 100-times earnings, a significant premium to its peers. Certainly, in the gold space, this is the golden child among many investors.

However, I think this stock's expensive valuation is completely justified right now. Here's why many investors have piled into Franco-Nevada in recent years, and why I think this is still a smart move.

### Weather the storm intelligently, if volatility materializes

Headquartered in Toronto, Franco Nevada is a royalty and resource investment company that essentially introduced the royalty concept more than 30 years ago. I believe when it comes to investing in the gold-mining sector, one simply can't go wrong with royalties. Apart from minimizing associated mine-specific risks, such investments help to limit significant market-specific fluctuations. Thus, Franco-Nevada shareholders are able to benefit from much more [stable cash flows](#) over time.

Although this company doesn't mine an ounce of gold, it receives payment on approximately 6,000 ounces of the commodity. Contrary to gold-mining companies, Franco Nevada isn't really a cyclical name in most respects. Accordingly, this is one of the safest stocks in the sector and one that is looked to due to its significantly reduced risk profile

In other words, Franco-Nevada is a prime choice for investors looking to safeguard their portfolios in a severe market downturn type of scenario, relative to gold miners.

### Inspiring business model and razor-sharp focus

Franco-Nevada's business model affords shareholders exposure to the commodity through royalty payment for every ounce produced. This primarily involves silver, gold and various other precious metals. However, it also includes oil and gas in small proportions. This unique business model protects

investors from an unexpected increase in operating and capital costs, one of the main negative characteristics of the mining industry.

Further, Franco's business model provides shareholders with ample options when it comes to future discoveries on any royalty land. This opportunity is available across its portfolio of close to 400 royalties. In fact, Franco enjoys a diversified portfolio based on operator, geography and type of commodity.

This company became public in 2007. Since then, Franco Nevada has consistently outperformed its peers that are engaged in gold mining. Indeed, I am convinced that its superior business model has been instrumental to its success.

## Bottom line

Investors who want to hedge their portfolio losses with gold might want to reconsider and choose a gold-focused royalty company, like Franco Nevada. I have no doubt that this leading company with top-notch financials and a unique business model can maximize one's portfolio returns significantly.

The recent moderate drop in its market value is the third-biggest pullback in this company's history. Nevertheless, past performance and strong financials clearly indicate a buy-the-dip opportunity.

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1. Investing
2. Metals and Mining Stocks

### POST TAG

1. Gold
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3. growth stocks
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### TICKERS GLOBAL

1. NYSE:FNV (Franco-Nevada)
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