



## Top Pick for 2021: Kirkland Lake Gold

### Description

Well, 2021 looks to be shaping up to be an interesting year.

No matter how you slice it, gold has underperformed of late. Yes, 2020 highlighted the power of holding “safer” assets like gold in times of trouble. However, the underperformance in this sector is noticeable.

That said, I’m going to highlight why my [top pick](#) for this year has to be **Kirkland Lake Gold** (TSX:KL)(NYSE:KL). Indeed, it’s a hard case to make right now, considering where gold has trended of late. However, I think right now the market’s simply taking a breather, and we’re in the early innings of a bull market in precious metals.

### Don’t worry: Gold is not broken

It appears many investors may have the feeling something is wrong with gold. It’s just not the hedge it used to be. Isn’t gold supposed to outperform when real yields are negative, inflation expectations are increasing, cash earns you nothing, and market-related risks are about as high as they ever have been?

Well, yes, it should.

Indeed, I think all these aforementioned factors ought to be taken into consideration when considering gold miners right now. I think the entire sector will do well, and I’ll talk about why Kirkland Lake is my top pick in a minute. But it’s important for investors to remember that markets aren’t always rational. Sometimes, it can seem like everything’s broken when it’s not. The catalysts are in place for gold to soar, and investors should simply do the “Buffett” thing and be patient.

However, there’s an argument some are making that Bitcoin is the new gold. Maybe gold isn’t all it’s cracked up to be. Certainly, investors in gold have been underwhelmed of late. Indeed, I think it’s easy to throw in the towel and move on.

Accordingly, the Foolish thing to do in situations like these is to look at the fundamentals. So, let's do that.

## Kirkland Lake's fundamentals highlight extraordinary value

Companies like Kirkland Lake, *in the existing market environment*, are extremely undervalued. Indeed, if you believe there's a rotation happening from growth to value right now, Kirkland Lake is the perfect stock on this metric alone. Any company with a price-to-earnings ratio of 11.8, in this market, is dirt cheap.

Combine this fact with Kirkland Lake's high-grade, high-margin mines, and you've got a winning combination. This doesn't even touch on the fact that Kirkland Lake has essentially no debt, and a massive war chest to work with to find additional reserves.

From a purely fundamental standpoint, there's no better stock on the TSX right now, in my view. I'm 100% bullish on this stock and believe it's got the potential to outperform the market for at least the next 12 months, if not longer.

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