



2 Top Gold Stocks to Add Today for Defensiveness

Description

Diversifying a portfolio with gold is one of the best ways to defend volatility and optimize long-term returns. However, what is challenging is finding stocks that are the best in the sector.

Well, the fact you're reading this article is a great thing.

That's because I'm going to dive into two of my top picks in the gold space right now. I've got one Canadian pick and one U.S. pick for investors seeking some further diversification.

Okay, let's get going.

Anglogold Ashanti

Analysts project **Anglogold Ashanti** ([NYSE:AU](#)) will grow by a modest 3% annually over the next three to five years. On its face, that doesn't sound great. However, the world's third-largest gold miner's growth rate is actually expected to be better than at least 74% of companies in the same industry.

Gold mining is a slow and steady business, and it's a long-term game, after all.

In a bid to grow profitably, Anglogold has decided to go easy on new deals, as the company reins in its M&A strategy. This move is one investors hope will create more sustainable and profitable production from the company's existing portfolio. In fact, I think it's a great decision. Far too many gold miners have destroyed shareholder value by overpaying for deals when the market was hot. Staying patient is a harder thing to do.

Additionally, Anglogold is one of the cheapest gold miners out there today. Its price-to-earnings ratio is a meagre 9.7 times earnings at the time of writing. That's way below industry average and paints a rosy picture for investors interested in long-term capital appreciation.

However, what appeals to me the most is how this company has managed to increase its profits

through cost control. Indeed, this operational prudence indicates strong core business fundamentals and suggests margins will remain strong over time. Given how cheap this value stock is right now, it is definitely a must-buy at the moment.

Kirkland Lake Gold

Likewise, **Kirkland Lake Gold** (TSX:KL)(NYSE:KL) is another top-notch gold miner that is [dirt cheap](#) right now.

Similar to Anglogold, Kirkland Lake has also been quite cautious about making new acquisitions and is one of the best miners out there in terms of operational efficiencies as well. Kirkland Lake's patience has come into focus of late, as some investors believe the company should be making a deal to replace some of its high-grade production that will be coming offline in a few years. However, Kirkland Lake's management team is staying the course and waiting for the right deal at the right time. That's good for shareholders.

Besides its sound business fundamentals and robust cash flow generation, Kirkland has had a glorious Q4 in terms of revenue. The company recorded impressive net income of \$233 million, which is a year-over-year improvement of 38%. From a full-year standpoint, its overall revenue surged by 68% year over year.

I think multiple catalysts are at play that could make this stock a lucrative buy at the moment. Indeed, the fact that this stock is strikingly undervalued (only 12 times earnings) provides an easy investment thesis for long-term investors.

Bottom line

Every fundamentals-oriented investor looking for gold exposure should consider adding Anglogold Ashanti and Kirkland Lake Gold to their portfolio right now. These stocks are trading at dirt-cheap prices right now and remain excellent long-term holds.

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