



How to Invest in Precious Metals Without Buying a Mining Stock

Description

When market uncertainty hits, investors will gravitate towards precious metals such as gold. Incredibly, using precious metals as a store of wealth is something we've done for millennia. It's also something that is unlikely to change anytime soon. Fortunately, there is a way to invest in precious metals like gold without actually buying a mining stock.

Rather than a traditional miner, the alternative is investing in a precious metal *streamer*, like **Wheaton Precious Metals** ([TSX:WPM](#)).

The streaming model explained

Precious metal streamers like Wheaton operate a similar yet different business model to their traditional miner peers.

For one thing, streamers don't own or operate any of the mines. Instead, streamers provide upfront access to capital to traditional miners, who will use those funds to commence mining operations.

In exchange for that initial injection of capital, streamers are permitted to purchase some of the metals produced by the mine at a discount. And that discount could be very significant. In the case of gold, it could be as low as US\$400 per ounce of gold and US\$4.50 per ounce of silver.

As a point of reference, let's look at the market rates as of the time of writing. An ounce of gold trades for US\$1,927, whereas an ounce of silver costs US\$23.

Once purchased, the streamer can then opt to sell those metals at the market rate.

A further advantage of the model is that it is an inherently lower risk than a traditional mining model. This is due to the fact that streamers are not involved in the day-to-day operations of the mine.

Thanks to that arms-length approach, it also means that streamers can quickly move on to the next mine. This allows them to potentially amass several ongoing streams at any one point.

Finally, it's worth noting that the unique business model of a streamer makes it largely immune to inflationary pressures.

But is that enough to invest in precious metal stocks like Wheaton?

Why invest in Wheaton?

Wheaton is one of the largest streamers in the world. The company currently has streaming operations in a whopping 21 mines on three separate continents. Wheaton also has a further 13 mines under development.

That impressive portfolio is further diversified thanks to the variety of different precious metals. Wheaton currently has streams that produce [gold](#), [silver](#), [copper](#), palladium, and cobalt.

In addition to its unique business model and overall lower risk, Wheaton also offers investors a quarterly dividend. The payout is based on cash generated over the trailing four quarters. As of the time of writing, that's a respectable 1.33%. The stock is also up over 15% in the trailing 12-month period.

Will you invest in precious metals without buying a mining stock?

Wheaton represents a lower-risk option for investors looking for a mining investment. In my opinion, Wheaton is a good addition for investors to consider as a small part of a larger, [well-diversified portfolio](#).

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