



Young Investors: 2 Great Options for Junior Mining Investors

Description

The junior mining space appears to be out of favour with the new generation of investors, particularly in Canada. Many young Canadian investors prefer to put the risky piece of their portfolio to work in the technology sector. But I think this mining sub-sector is worth a look.

In early March, the PDAC show (the largest mining show in Canada) highlighted many of the great junior mining companies based in Canada and around the world. These companies do tend to be highly volatile, so they are only for investors with higher tolerance to risk and volatility.

Here are two options to consider.

Gold Miners ETF

There are more than 7,000 exchange-traded funds (ETFs) out there, in more than 50 countries. Investors searching for exposure can find options in nearly any country, sector, or niche. The junior mining space is no different.

The **VanEck Vectors Jr. Gold Miners ETF** (NYSE:GDXJ) is an extremely diversified option, providing exposure to a vast array of early gold exploration and development companies around the world.

My preference, and recommendation for young investors, is to take a basket approach to investing in this space. The reason is that many junior mining companies go bankrupt. Common issues include difficulty finding high-grade deposits, financing, or mismanagement.

Many well-managed junior gold miners who do find gold at a reasonable grade often see their stock prices soar in very short amounts of time. This is the whole reason for investing in this space! However, the reality is that investing in junior gold mining is not unlike gambling in an “all or nothing” fashion.

Generally, this can work as long as an investor has more winners than losers in their basket of companies, and said companies are reasonably able to access capital.

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is a solid option for certain types of investors. First, [Barrick is a good pick](#) for those willing to take on more concentration risk in their portfolio. In addition, as a large gold mining company with investments in juniors, it is a good choice for investors wanting junior exposure with perhaps less risk.

I suggest Barrick for a few reasons. First, and most importantly, companies like Barrick are the largest individual investors in junior mining companies. These large gold miners have a continuing need to replenish their gold reserves, which diminish over time as a result of large-scale mining operations. Barrick, and other large players, have a vested interest in seeing junior mining and exploration companies succeed. They will continue to invest billions to find new high-grade deposits.

Second, companies like Barrick have unique insight into the details of the specific search areas of various junior players. I recommend investors pay particularly close attention to any junior gold miners with direct investment from a large player like Barrick. This especially holds true if you're an investor looking to hunt with a rifle rather than a shotgun.

Stay Foolish, my friends.

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