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THE BIG SECRET ON WALL STREET

Better Than Gold

Your Buying Guide Featuring Porter & Co.'s #1 Capital Efficient Royalty and Streaming Company

FROM THE DESK OF PORTER STANSBERRY

SPECIAL REPORT

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The Ultimate Gold Stock

Profiting From Gold Mining Without Digging A Single Hole

A Royalty Company That Sits Back And Rakes It In

In America, inflation began with violence.

In October 1690, the Puritans of the Massachusetts Bay Colony launched a raid on their prosperous (and French Catholic) neighbors to the north. Led by Sir William Phips, the colonists' expeditionary force numbered 2,500 and traveled to Quebec aboard 32 ships.

Phips was a man of his time. As a sea captain and treasure hunter, he recovered a huge treasure from a sunken Spanish galleon, which made him rich and powerful. What made him popular was killing witches.

The previous spring, Phips had seized Port Royal, the Acadian capital (present-day Nova Scotia), on behalf of the British Crown, with 700 soldiers. Even though the town surrendered without a fight, Phips allowed his men to sack and plunder the town... which made a substantial economic impact on the Massachusetts economy.

In the fall, the colonists launched a larger expedition to raid Quebec. Confident in their ability to plunder the French, they hired thousands of additional soldiers, on credit.

Alas, Quebec's leader, Count Frontenac, knew they were coming. He prepared the city's defenses, building a stockade and mounting cannons. When Phips demanded the town's surrender, Frontenac famously replied: "I have no reply to make other than from the mouths of my cannons and muskets."

What followed was the typical fog of war. The colonists' attack was stymied by, among other challenges, "a lack of rum." Phips' flagship Six Friends was heavily damaged when it ran out of ammunition, leading to the end of the assault. After two days of fighting, a prisoner exchange was negotiated, and the colonists' fleet returned to Boston, empty-handed. While only 150 soldiers died of their wounds, more than 1,000 died of smallpox.

The survivors were hungry, cold, and armed. They were also owed a lot of money. The expedition racked up 5,000 pounds in debt (roughly 10,000 ounces of silver) – a fortune at the time.

Phips tried to borrow the money to pay his men from Boston's merchants, but they doubted the Colony's credit, and wouldn't lend. Instead, in December 1690, the colonial government printed 7,000 pounds worth of paper money and paid off the soldiers. To gain acceptance of this new form of money (the first paper money ever issued in the New World), the Massachusetts Bay Colony made a two-fold pledge: first, that the notes would, in time, be redeemed for specie (silver or gold) at full face value, and, second, that absolutely no more notes would be printed.

What happened next is instructive. It has been repeated, in one way or another, by every subsequent government that has chosen to print money to pay its debts.

At first, the new notes gave the local economy a big boost. But... strangely... after a short boom of around two months, there was a terrible crash. All the gold and silver in the colony seemed to disappear. And, as the exchange value of the notes plummeted, there was an economic crisis.

To quell the panic, another issue of new notes had to be printed in February 1691. This issuance, because of the falling value of the notes, had to be much larger (40,000 pounds) to achieve the same economic impact as the first.

Facing a growing crisis, Phips and the head of the church, Increase Mather, went to England to negotiate for more support with the new British monarchs, King William and Queen Mary. They needed a new charter, as the former King James II had been deposed. And they were hoping for a charter that would bolster their own authority. They returned to New England in the spring of 1692 with additional financial support. And Phips was named Governor. But the new charter greatly expanded the right to vote, granting the franchise to virtually every man in the colony.

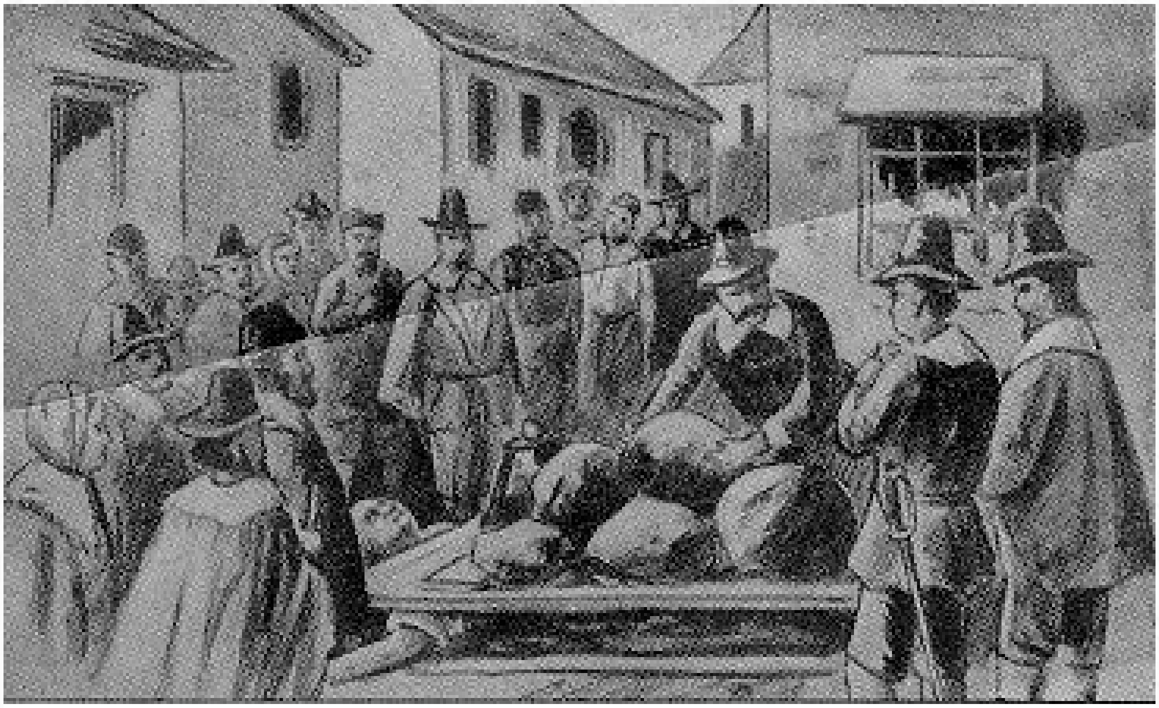
How did Phips and Mather adjust to the new political reality? What's the best way to manipulate voters? Fear.

Phips and Mather needed to focus the electorate on something they feared more than poverty. But the colonists dealt with real and terrifying threats every day – like smallpox, Indian raids, and pirates. What's scarier than these things? What did the Puritans fear more than anything else? The devil. Puritans were consumed with a fear of going to hell. To them, the devil was a very real threat. They ascribed natural phenomena – like sickness – to witches and demons. Mather had come to power with a book about witchcraft that he published in 1684. Time to dust it off...

Phips and Mather got back to Boston on May 14, 1692.

Phips – an orphan, a treasure hunter, and a soldier of fortune – was not a religious man. But now, new royal charter in hand, Phips made ostentatious displays of piety: he halted his swearing-in ceremony to faithfully observe the Sabbath. And on May 27, less than two weeks after returning from England, Mather and Phips created a special new court, with jurists selected from the leaders of the new colonial government, to deal with the rising specter of… witchcraft.

In June the new court began hanging witches, mesmerizing the colony. Among the gruesome deaths that followed was that of Giles Corey, an 81-year-old man who was pressed to death by Captain John Gardner. It took him three days to die as heavy irons were laid on top of him, slowly crushing him. He was crushed, as opposed to hung, because he refused to cooperate with the court. That meant he couldn't be convicted of a felony, which prevented the government from seizing his land. (Killing witches was good business for the government.)



Before the Phips raid on Quebec, there was approximately 200,000 pounds of silver money in the colony. By 1711, 740,000 pounds of paper money had been issued by various colonial governments, including an enormous 500,000-pound issue by Massachusetts to pay for, you guessed it, another failed expedition to sack Quebec!

Prices continued to rise. And, despite various efforts to control the money supply, by 1748, 2.5 million pounds worth of paper money had been printed in the colonies. Prices had increased 10-fold.

Sound familiar?

Government takes on debt it cannot finance with legitimate means. Government prints money, which provides a short-term economic boom. And Gresham's Law ensues: the bad money forces out the good, as people wisely hoard bullion and spend paper.

Another crash follows. And still more money must be printed.

The cycle continues. And each cycle causes more and more economic dislocation. The government is trapped: if they stop printing, the economy will collapse. If they keep printing, inflation will destroy civil society.

The Beginning of the End of America

Our current spate of money printing began in 1998 with the bailout of hedge fund Long-Term Capital Management.

A modern-day Phips, the founder and leader of LTCM, John Meriwether, was powerful because he'd found treasure – not off the coast of Florida, but in the financial markets. Meriwether earned billions for Salomon Brothers trading bonds. Together with two Nobel Prize-winning economists, Myron Scholes and Robert Merton, the founders of LTCM were widely recognized as being the smartest men in finance.

And their hedge fund was wildly successful – at first.

They earned 40% a year, seemingly without any volatility. How? They capitalized on having access to very low-cost sources of funding. (Many of the investors in the fund were the leading executives of Wall Street's top banks.)

By using enormous position sizes, enabled by extreme amounts of leverage (LTCM was responsible for roughly 5% of the global trading in fixed income), LTCM could make reliable profits through arbitrage. The firm would simultaneously sell and buy bonds with similar financial characteristics to capitalize on tiny differences in prices across the world's markets.

No one else *could* make these trades because no one else had the capital (hundreds of billions), the computing power, the database of global bond inventory, or the algorithms to scan for relative value trades across virtually every market in the world, in real time.

Oh, and no one else would make these trades, because in virtually every position, the upside was infinitesimal... but the downside, in the event of a default, was cataclysmic.

One of the many repeating themes of paper money is the inevitable decline of liquidity as Gresham's Law inevitably requires more and more money to be added to the system, and bad money forces out good.

In the 1990s, the "bad money" was emerging market bonds.

In the 25 years prior to 1998, the 22 countries known as "emerging" economies had seen their external debt loads grow 10-fold, far outpacing economic activity. Beginning in 1995 with the Mexican peso crisis, virtually every emerging market in the world suffered a currency collapse, a debt default, or both. Long Term Capital Management held a highly leveraged position in Russian domestic government bonds when the Russian government defaulted in August 1998, leading to massive losses.

So... what happened? Much like when the colonial army got back to Boston, instead of suffering their losses, LTCM's backers appealed to the government. And $3.6 billion in new money was created by a consortium of 14 banks, led by the Federal Reserve.

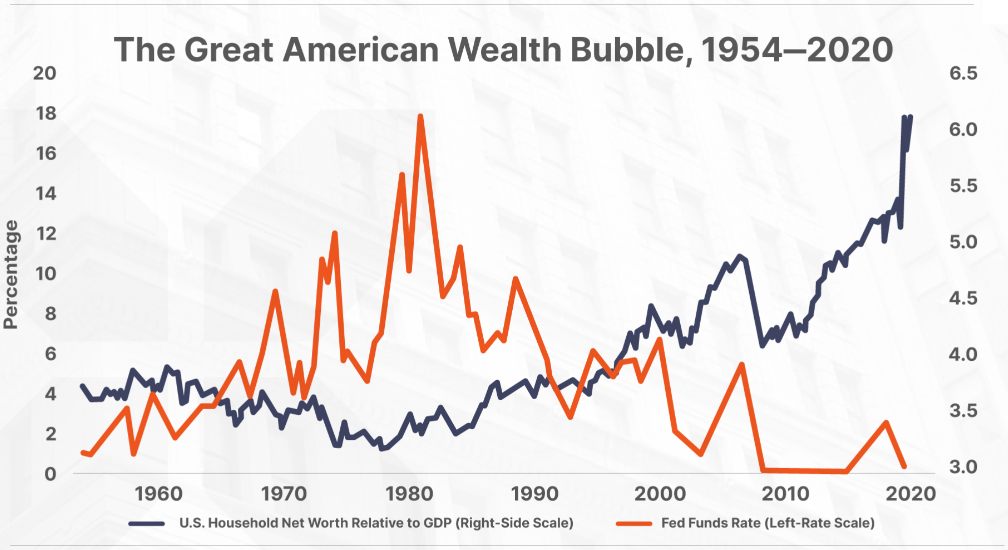
It was the first time the U.S. government had intervened directly to prevent credit losses by private investors since the creation of the world's current monetary regime, the all-paper, U.S. dollar standard. It would not be the last.

About ten years later, in 2008, the "bad money" was subprime mortgage bonds, on which Wall Street banks had gorged themselves over the previous several years, creating an enormous economic boom led by real estate prices.

The resulting bailout was 10,000 times bigger than that of Long Term Capital Management. Looking at all of the direct bailouts, debt guarantees, mortgage purchases, and central bank swaps, the mortgage crisis saw $30 trillion in new money and credit.

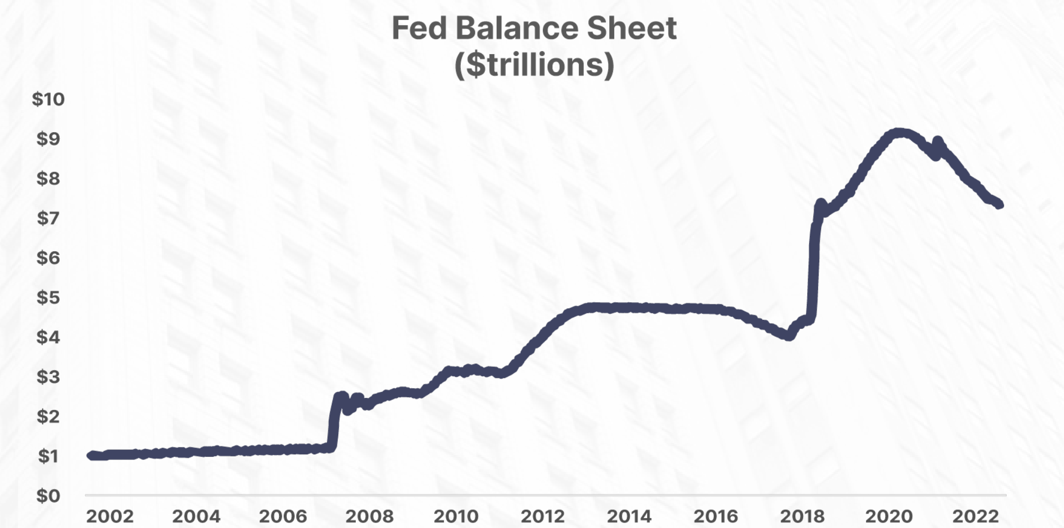
Judging from history, we all should have known what would happen next.

As the chart below (from *The Price of Time* by Edward Chancellor) shows, the late 1990s (and the bailout of LTCM) marks the beginning of America's "super bubble," where household net worth, as denominated in dollars, became completely untethered to any real, underlying economic activity. And with each new cycle of boom, bad money, and bust, the resulting printing of new money would grow ever larger.



The scale of the printing is most apparent in the growth of the Federal Reserve's balance sheet.

Our central bank printed trillions over the last 20 years to finance the bailout of Wall Street in 2009, then again in 2011 to help solve the European debt crisis, and then, most recently, to finance the COVID-19 lockdowns. And each successive wave of printing has grown bigger and bigger.



Source: St. Louis Fed

Meanwhile, our government's debt burden has risen more than five times, from less than $6 trillion in 2000 to more than $33 trillion at the end of 2023.

More importantly, the size of these debts relative to the size of our underlying economy – as measured by gross domestic product (GDP) – has soared from 58% to well over 120% during this time. And no country in history has ever survived a debt load of more than 100% of GDP without a massive devaluation or an outright default.

More than 400 years of history suggest U.S. policymakers will ultimately choose the former – and tap the printing press to paper over America's unsustainable debt burden.

It's simply a matter of time.

That's why we believe every American should begin to diversify into assets that will soar in value against inflated paper money in the years ahead. And gold is the ideal place to start.

Three Reasons to Own Gold Now

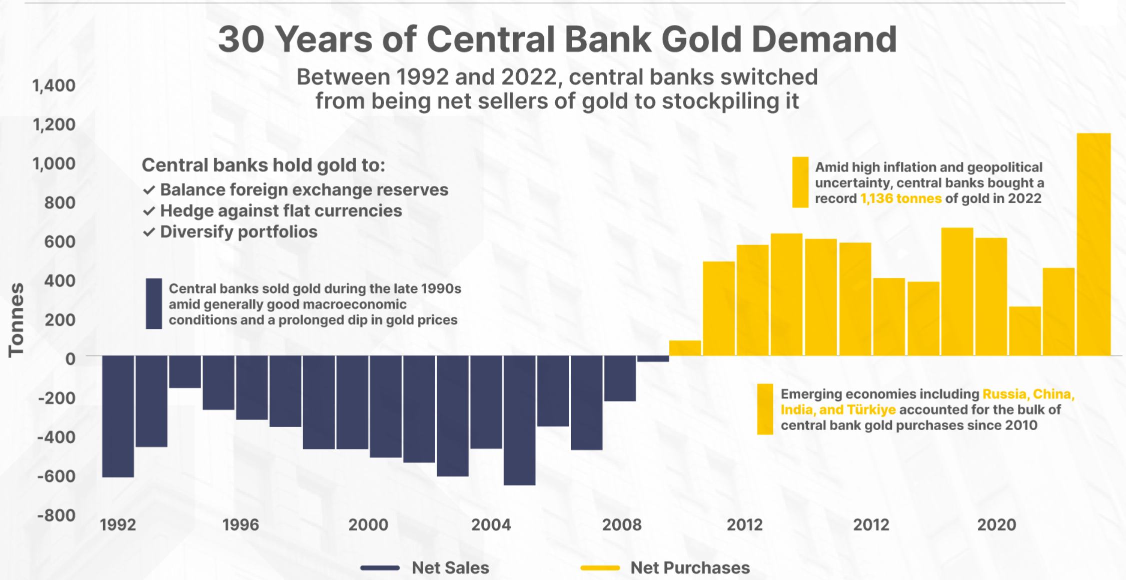
1. Central Banks Are Quietly Hoarding Gold...

Since the 2008-2009 financial crisis, many foreign central banks – including those of China, Russia, India, and Turkey – have been gradually shifting their reserves away from the U.S. dollar (and fiat currencies more generally), and into gold.

But this trend dramatically accelerated in 2022 following surging inflation from COVID money-printing and rising geopolitical uncertainty.

In 2022, global central banks bought a record 1,136 tons of gold – more than double their purchases of any other year in recent decades – in what can best be described as the ultimate hedge against their own failed policies.

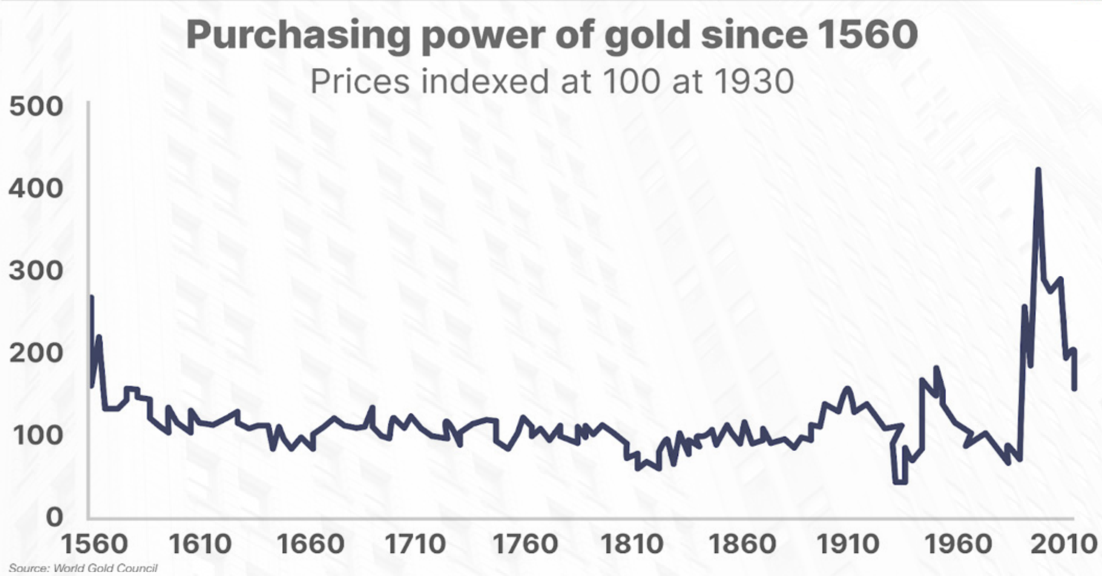
Rising central bank demand will likely add significant upward pressure on gold prices in the years ahead. Meanwhile, the growing shift away from U.S. dollar reserves will only hasten the need for further currency debasement, as the U.S. must finance ever more of its spending with debt.



Source: Metal Focus, Refinitiv GFMS, World Gold Council

2. Gold Is the World's Most Enduring Form of Money…

Various items have served as money throughout human history: shells, beads, salt, rocks, livestock, and countless paper or "fiat" currencies. But only gold has maintained its monetary value for thousands of years.



That is not a coincidence.

Gold is still here because it meets all the characteristics of good or "sound" money, as explained by the Greek philosopher Aristotle nearly 2,500 years ago:

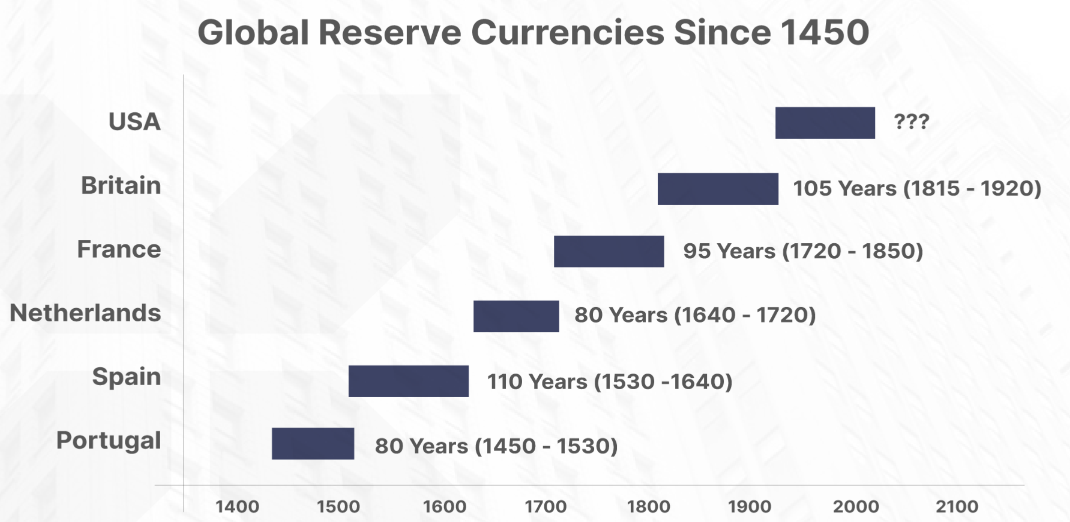
- **Scarce:** Sound money must be limited in quantity and difficult or energy-intensive to produce.
- **Durable**: Sound money must not tarnish, decay, or change through time or exposure to the elements.
- **Portable:** Sound money must be easy to transport and store.
- **Divisible:** Sound money can be split into smaller units if necessary.
- **Fungible:** Individual units of good money must be identical and interchangeable.

Gold isn't perfect money. But it alone has stood the test of time because it meets these requirements better than anything else we humans have tried so far.

Gold is among the rarest elements on Earth. It's virtually indestructible – every ounce that's ever been mined still exists (and is worth just as much as gold that's mined today). If necessary, you can transport a few million dollars of gold in a suitcase. You can split, clip, or melt it into smaller units. And one ounce of pure gold is identical in value to any other, regardless of where it comes from or how old it is.

Gold is the closest thing we have to permanent value in this world.

The following chart shows that the average lifespan for global reserve currencies is roughly 100 years.



Yet, gold has maintained its purchasing power for thousands of years – and will continue to do so long after the U.S. dollar and other paper currencies are gone.

But it's not just great money – it's also great *insurance*, as we'll explain below.

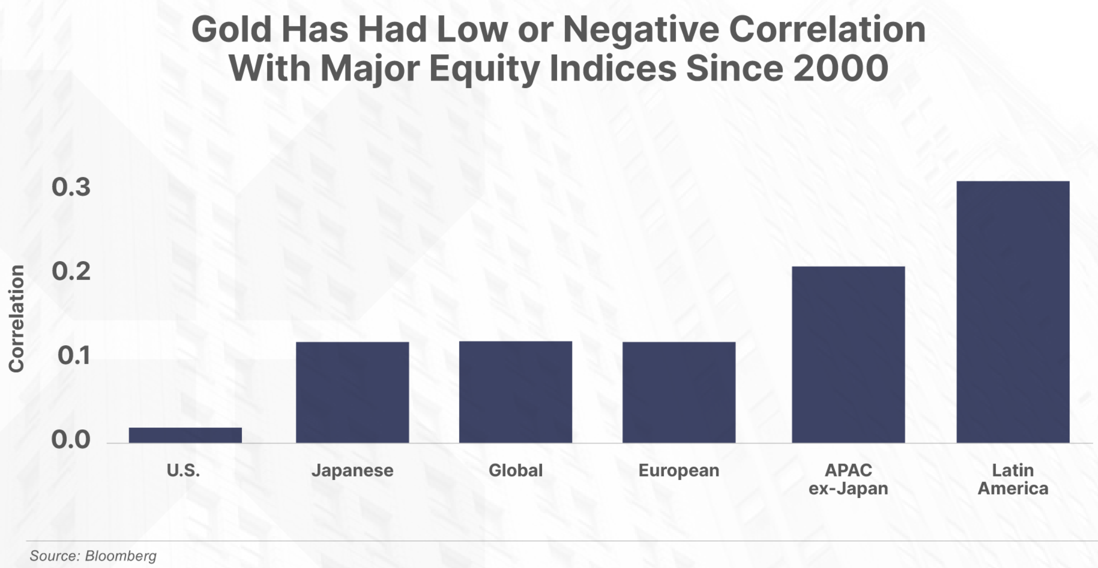
3. Gold provides powerful portfolio diversification benefits you can't get anywhere else...

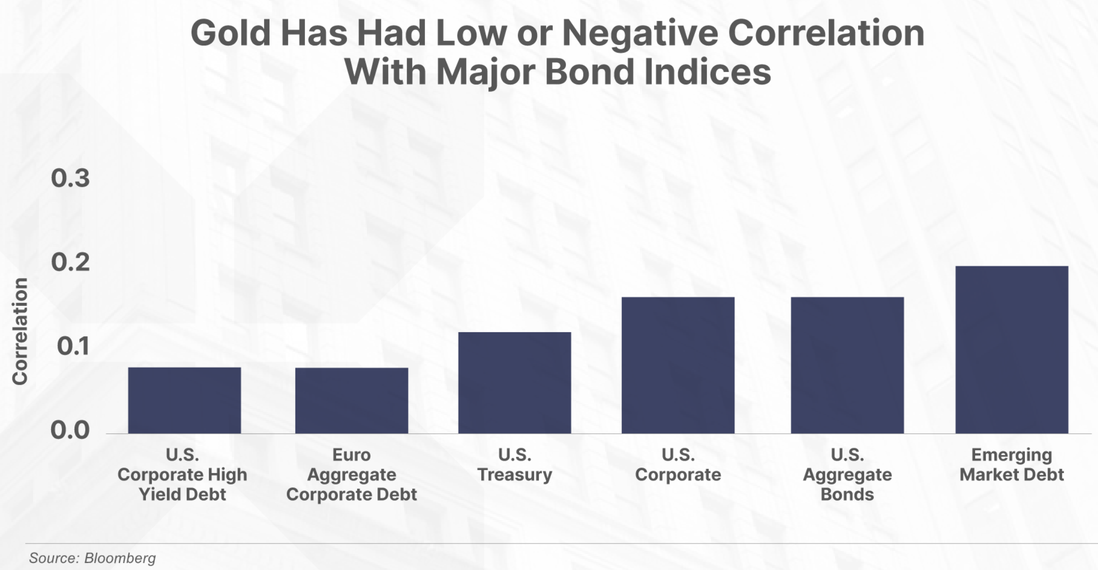
Diversification refers to the strategy of holding your wealth in a mix of different assets – like stocks, bonds, real estate, etc. – to reduce your overall risk. It's the practical application of the age-old advice to "avoid placing all your eggs in one basket." And gold serves this role particularly well.

One way to measure diversification is to calculate the correlation between assets. This measure refers to the degree to which different assets have similar price changes.

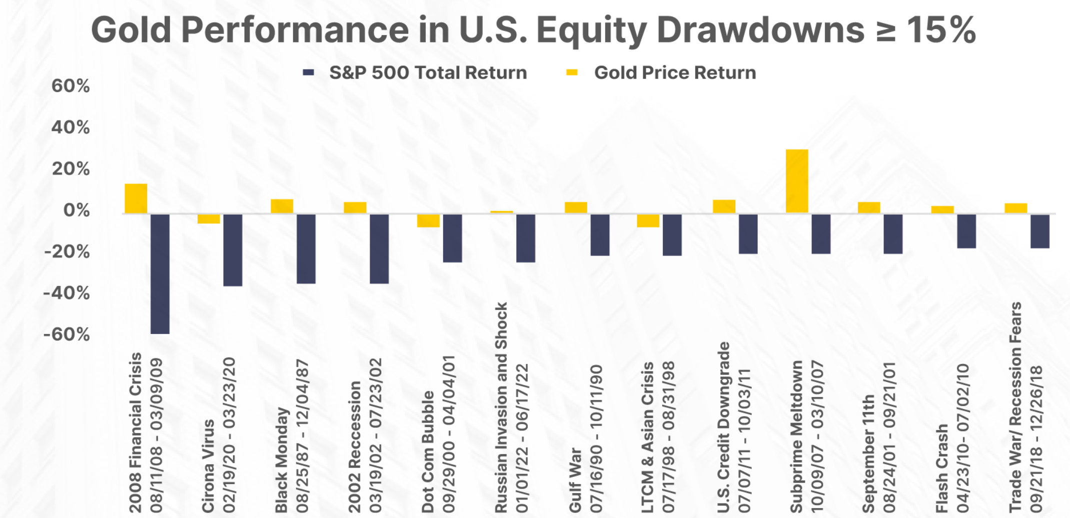
A positive correlation means that two or more assets tend to move in unison (up or down together). A negative correlation means assets tend to move inversely (if one moves up, the other moves down). And a correlation of zero means assets tend to move independently of each other.

The tables below show gold's correlation with equity and credit markets. As you can see, gold historically has had a low correlation to both stocks and bonds.





Better yet, gold's correlation with other assets tends to be lowest during periods of heightened market stress and volatility, making gold an ideal form of crisis "insurance" that often increases in value when just about everything else is declining in value.



In other words, in addition to acting as the ultimate store of value, gold can dramatically reduce your portfolio's overall risk and volatility.

Given these facts, we believe every investor should consider owning gold today. Exactly how much is a function of your investment horizon, risk appetite, and portfolio profile, but a good general guideline is between 5% and 20% of your investable net worth.

Gold 101:
How to Buy, Sell, and Store The World's Safest Currency

There are four basic ways to own or gain exposure to gold: gold bullion, collectible (semi-numismatic) gold, gold funds and trusts, and gold stocks.

Gold Bullion

The simplest and arguably best form of gold to own is bullion – the ordinary coins and bars issued by many governments and some private mints.

The most important thing to understand about bullion is that it is a commodity. It isn't rare, and it doesn't have collectible value. It is valued based entirely on the amount of gold it contains.

Most gold bullion coins are one-ounce sized. Some of the most popular include American Gold Eagles, Canadian Gold Maple Leafs, and South African Gold Krugerrands.

Bullion trades at the current market value ("spot price") of the gold it contains, plus a small markup or "premium." Bullion premiums vary depending on supply and demand, but they typically range from roughly 3% to 8% over the spot price of gold for one-ounce coins.

You can also consider buying bullion in bars, ranging in size from one ounce to 400 ounces. Larger bars generally offer the lowest premiums of any form of bullion. But their larger size can also require a more significant investment that may not be appropriate for everyone.

You can generally buy bullion coins or bars from any reputable dealer. But it makes no sense to pay more than necessary, so it's usually a good idea to call a few dealers and shop around for the lowest premiums possible.

One dealer we can recommend is Asset Strategies International (ASI), run by Rich and Michael Checkan. We receive no compensation for recommending them. We've just found them to be scrupulously honest and fair (by no means a common thing in this corner of the investment world), and they always treat their customers well.

Regardless of what type of bullion you purchase, you'll want to take care to store it as safely, securely, and inconspicuously as possible. Popular options include a safe (or other protected location) in or around your home or property, bank safe deposit boxes, and third-party vaults or gold depositories.

Finally, while we don’t recommend trading in and out of gold bullion, there could come a time when you want or need to sell some.

Again, it’s generally a good idea to shop around for the best offers when selling. However, if you’ve done your due diligence when buying (see the first “rule” from our friends at ASI below), you may receive the best offers from dealers you purchased from previously.

Six "Rules" for Buying Gold Bullion

From Asset Strategies International

Rule 1: Always Ask This Question Before Buying From Any Dealer

Before you buy gold or any other precious metal, ask the dealer: "When I am ready to sell, will you repurchase this from me?" If the answer is no, DO NOT buy from them... period.

No matter what lame excuse they give for not buying back – and they can be pretty creative – it's typically due to one simple reason: they're selling bullion for far more than they would accept in return.

In other words, they're overcharging you. Don't be fooled into thinking otherwise.

Rule 2: Avoid Higher-Premium Bullion When Possible

Certain products carry higher premiums due to popularity, demand, or perceived exclusivity. But if you want gold to act as a store of value in your portfolio,look for products with a comparatively lower premium.

That may require you to do some price shopping or comparison, but ultimately, your wealth will be better protected by choosing products that enable you to buy more gold at a lower premium.

For instance, one-ounce American Gold Eagles are among the highest-selling bullion products on the market. However, because of their popularity, they typically carry a much higher premium than other one-ounce sovereign coins like the Canadian Maple Leaf, South African Krugerrand, or Australian Kangaroo.

Some buyers prefer the Gold Eagle, for a variety of reasons: It's American-made and beautiful to look at, the United States government guarantees its content and purity, and you can hold it in an IRA. It's also instantly recognizable, and many buyers feel reassured that if they ever need to sell their gold coins, they'll get fair market value.

That is all true, but when buying gold for wealth insurance, the best strategy is buying at the lowest premiums available. If other bullion coins can do that for you, they're likely the better option.

Rule 3: Be Wary of Unusually Low Premiums, Too

High premiums are a concern, but unusually low premiums should also raise some red flags.

In the private market – i.e., buying and selling between individual precious metals owners – there are bargains to be had occasionally. But if you're buying from a gold dealer and the pricing sounds too good to be true, it probably is.

Sometimes, disreputable dealers will offer popular, easily researchable bullion coins at an unbelievably low premium to hook an inexperienced buyer, then also upsell a combination of more obscure coins that are hard to compare pricing on.

So, trust your instincts and eye any offer below typical premiums with a healthy dose of suspicion.

Rule 4: Don't Buy Fractional Coins

Unless you need more divisibility or cannot afford gold by the ounce, fractional coins are usually not the best option for most buyers.

These coins (like one-tenth, one-quarter, and one-half-ounce coins) tend to carry higher premiums because they're more expensive for mints and refineries to produce.

Fractional coins from sovereign mints are reputable and valid forms of physical gold ownership – and we even offer them occasionally when the premiums have dropped significantly – but they just don't tend to be the best value for investors' money.

Rule 5: Don't Buy Proof Coins

The U.S. Mint and some other governments also produce bullion coins with proof and uncirculated finishes each year. These carry a higher premium because of their verified, pristine condition and supposed (future) collectible value.

However, if you're buying gold to protect your wealth, these coins offer no benefits versus circulated, lower-premium bullion.

Rule 6: Don't Buy "Limited Edition" Gold

If it tickles your fancy to buy gold bullion featuring designs inspired by the Lord of the Rings or melted into shapes like dice or bullets, feel free. But be wary of anything marketed as a "limited edition."

Unlike real collectible gold coins, these items tend to carry a high markup that generally does not add additional returns above their melt value should you decide to sell.

There are also online services that allow you to buy and hold bullion in a secured vault in a remote location.

One such option is the Perth Mint Depository Distributor Online (PMDDO) platform, created through a partnership between Asset Strategies International and the world-renowned Perth Mint – Australia's official bullion mint wholly owned by the Government of Western Australia.

The PMDDO platform provides a cost-effective and flexible way to buy, sell, store, and take delivery of gold and other precious metals online with an explicit government guarantee.

All metals purchased through this platform are Perth Mint-issued bullion from the Mint's working inventory. PMDDO allows you to store your metals for little to no cost in one of the world's most secure storage facilities. It also grants you the option to take physical delivery of your gold if and when you choose. And because this platform is entirely online, you can manage your holdings 24 hours a day, seven days a week, from anywhere in the world.

You can learn more about this platform by contacting Asset Strategies International by phone at **1-800-831-0007** (**301-881-8600** outside the U.S.), by email at **infoasi@assetstrategies.com**, or via their website at **assetstrategies.com**.

Collectible (Semi-Numismatic) Gold

The second way to own gold is through collectible coins.

These coins are typically referred to as "semi-numismatic" because they are priced partially on their gold content (like bullion) and partially on their "numismatic" value (rarity and condition). Depending on the latter, these coins can trade for relatively small premiums to ordinary bullion to many multiples more.

Collectible coin grades range from 1 (poor condition) to 70 (perfect condition). Coins graded in the 50s carry the designation "AU" (about uncirculated), while coins graded 60 through 70 are designated "MS" (mint state). All things equal, the higher the grade of a particular coin, the higher its premium over bullion.

"Semi-numismatic" generally refers to coins graded between AU-58 and roughly MS-65. However, those graded MS-60 to MS-62 typically offer the best mix of collectible value and reasonable premium.

The numismatic value of these coins can act as a "floor" during periods of gold price weakness, and it can provide additional upside when gold performs well.

One of the best-known semi-numismatic gold coins is the $20 Saint-Gaudens "Double Eagle" (minted by the U.S. government between 1907 to 1933).

Right now, you can purchase these coins in the MS-60 to MS-62 range for around $400-$600 more than you'd pay for ordinary bullion. That works out to around a 30% premium, which is near the low end of their historical range of between 15% and 150% of the spot price of gold.

Because grades play a significant role in the value of these coins, it's critical to work with a reputable coin broker. It's also a good idea to look for coins graded by one of the top two grading services: PCGS (Professional Coin Grading Service) or NGC (Numismatic Guaranty Company).

To get started, check out the price guides published by PCGS (**here**) and NGC (**here**). These will give you a reasonable estimate of what you should expect to pay for coins of a particular year and grade.

Gold and the Risk of Confiscation

In 1933, President Franklin Delano Roosevelt signed Executive Order 6102, outlawing the ownership of gold by U.S. citizens.

The government confiscated most privately-owned gold; however, one loophole in the order exempted "gold coins having recognized special value to collectors or rare and unusual coins."

In other words, citizens were allowed to hold onto semi-numismatic gold coins.

Congress eventually repealed this order by legalizing the private ownership of gold in 1974. However, many dealers today still sell higher-premium semi-numismatic coins based on the risk of gold being confiscated again.

However, the reality is this is highly unlikely to happen.

You see, the reason the government outlawed gold ownership in 1933 was so it could devalue the dollar. At that time, gold and the U.S. dollar were fully convertible – any citizen could theoretically walk into a bank and exchange a $20 note for a $20 gold piece on demand.

The government confiscated gold and reset its official price from roughly $20 per ounce to $35 per ounce, effectively devaluing the dollar's purchasing power by more than 40%.

Today, gold and dollars are no longer convertible. The so-called "gold window" was closed by President Richard Nixon in 1971 – roughly three years before Congress legalized private gold ownership again.

As a result, the government can borrow or "print" more dollars whenever it chooses – which means there is no real reason (or benefit) for it to confiscate gold again.

Semi-numismatic gold can be a great addition to your gold portfolio. But don't let confiscation fears pressure you into paying more than you should.

Gold Funds and Trusts

One of the easiest ways to get exposure to gold is through a publicly traded investment vehicle. These include exchange-traded funds (ETFs), trusts, and mutual funds.

The most popular gold fund is the SPDR Gold Shares (NYSE: GLD), the largest physical gold ETF in the world with around $61 billion in assets. But there are several similar options available.

The primary benefits of these vehicles are cost and convenience. The fees they charge are generally less than those you'd pay to store physical gold in a secure vault or depository. And you can add to or reduce your holdings as easily as buying or selling a stock in your brokerage account.

But owning funds like GLD is generally not the same as owning physical gold. While most assert to back every share with physical gold fully, they typically do not allow investors to redeem their shares for gold.

One of the few exceptions is the **Sprott collection of precious metals funds**, which includes the Sprott Physical Gold Trust (NYSE: PHYS).

These funds are as easy to buy and sell as other publicly traded gold vehicles. But like the Perth Mint platform we mentioned, these funds will also allow you to redeem shares for physical gold bullion – delivered to your doorstep – so long as you meet their minimum redemption criteria.

These funds also offer potential tax benefits you can't get from other forms of gold.

That's because the Internal Revenue Service considers most precious metals investments – including bullion, semi-numismatic coins, and even traditional gold funds – to be collectibles. And unfortunately, the long-term capital gains rate on collectibles is 28% – nearly double the 15% capital gains rate most investors pay on traditional investments.

However, the IRS classifies PHYS and the other Sprott Physical Bullion Funds as "Passive Foreign Investment Corporations" (PFICs). This distinction means they're generally taxed at your standard long-term capital gains rate (provided you fill out the correct paperwork at tax time). You can learn more about this benefit **here**.

Gold Stocks

Finally, the fourth way to gain exposure to gold is with gold stocks.

If you want to bet aggressively on rising gold prices, buying gold stocks will likely produce more "bang for your buck." But you need to be aware of a couple of important risks.

First, you must understand that owning gold stocks is not a substitute for owning gold directly. When you own a gold stock, you own shares in a company whose business objective is to mine gold profitably and pass that value on to investors. But you don't have any claim to that company's gold.

Second, most gold stocks are lousy long-term investments. While they can soar multiples more than gold during roaring bull markets, they tend to underperform gold over the long run.

That's because gold mining is generally a terrible business, and very few companies can consistently earn profits from mining over the long run.

Gold mining requires a lot of upfront capital for exploration, development, and construction. This capital is often tied up for a decade or longer before a mine produces any revenue.

But it doesn't get any better once a mine is operating.

Digging miles into the Earth to extract physical gold is also capital intensive. A substantial portion of profits must go back into the ground to keep production going and continuously replace the depleting asset base of existing mines.

Mining companies spend enormous sums on labor, capital, and finding new reserves – money that doesn't go to shareholders. And along the way, economics can change drastically due to the cyclical nature of commodity prices.

All of that makes most gold stocks risky bets for investors. They're best thought of as "lottery tickets" – speculative vehicles where you can risk a small percentage of your portfolio to potentially make huge returns during periods when gold itself does well.

However, there is one exception to this advice.

It pertains to a particular type of gold stock that reliably transforms gold in the ground into growing profits for investors.

These companies are known as gold-royalty or gold-streaming companies. They provide upfront capital to traditional gold miners in exchange for the rights to a portion of any gold that is ultimately produced (known as a "royalty" or "stream.”)

A royalty grants a company the right to a percentage of the revenue a miner generates from the sale of gold, less transportation and refining costs (known in the industry as the "net smelter return" or "NSR").

On the other hand, a stream grants a company the right to purchase a miner's gold at a predetermined (typically well-below-market) price. The streaming company can then turn around and sell that metal at the spot rate and keep the difference as its profit.

These companies also frequently make royalty or streaming agreements with base-metal miners, who often produce gold and silver as a byproduct of their operations. They can also acquire pre-existing royalty agreements through acquisitions of other businesses.

This business model allows gold-royalty and streaming companies to collect consistent mining income streams for years, with none of the costs or risks of actually operating a mine.

As investors, we love these companies because they give us leverage to gold prices with much less risk than traditional gold stocks.

After these companies make their initial upfront payments, they don't need to contribute more capital to maintain existing operations.

And because they typically have exposure to dozens – even hundreds – of assets worldwide, they're far less exposed to business, economic, and political risks than most miners.

Porter & Co.'s #1 Gold Stock Recommendation: A Capital Efficient Gold Royalty and Streaming Company

Right now, you have a tremendous opportunity to invest in the best company in this industry.

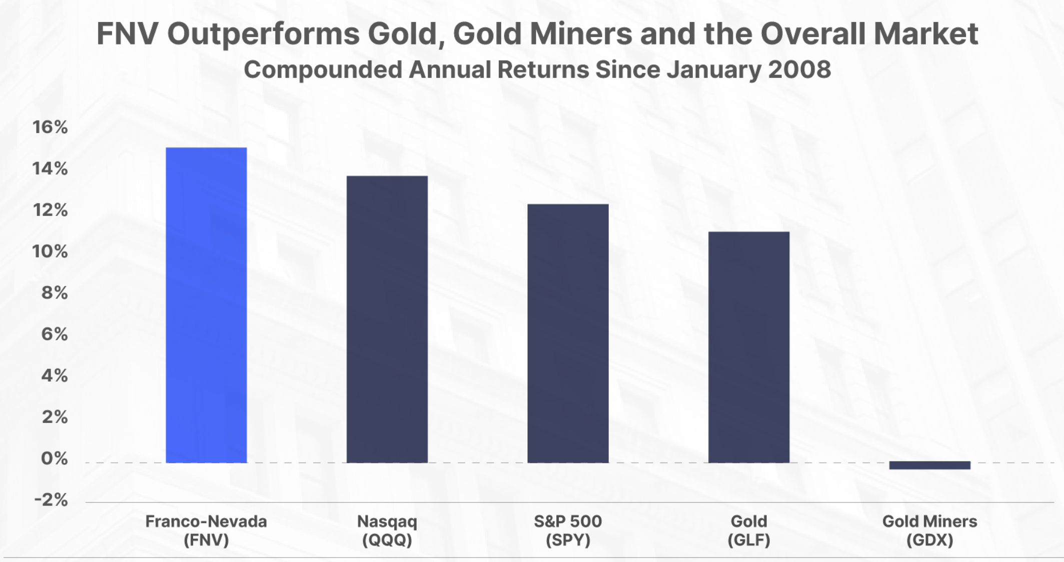
Franco-Nevada (NYSE: FNV) is a gold royalty company headquartered in Canada, in Toronto, Ontario.

Since going public in January 2008, FNV has grown into the leading global gold royalty company based on revenue and market capitalization.

It has long-standing partnerships to provide royalty and streaming financing deals to the largest mining companies on the planet. That includes the top three global gold miners – Newmont, Barrick Gold, and Agnico Eagle – as well as the leading diversified miners, including Glencore and Vale, along with dozens of smaller public and private miners.

The company's slogan is "the gold investment that works." Unlike most empty corporate slogans, FNV backs up this claim with performance.

FNV shares have outperformed the overall stock market, gold, and gold stocks since going public in January 2008:



This performance is a testament to the extreme capital efficiency of FNV's royalty business model. Because – here's the best part – FNV works without doing any work at all.

Franco-Nevada's World-Class Capital Efficiency

FNV is more like a bank than a mining company. It doesn't have to sink capital into expensive mining equipment, maintenance, and land claims… or hire geologists, engineers, and mining operators.

FNV runs its entire business with just 40 full-time employees and five part-time contractors. With just those 45 employees, the company generated $1.2 billion in revenue in 2023 and $695 million in net income.

That's more than $17 million in net income per employee – making it one of the most capital-efficient businesses in the world.

Capital efficiency describes how well a company transforms profitability into shareholder returns.

Virtually all companies have to reinvest some portion of their profits back into their businesses to maintain, replace, or upgrade fixed assets such as property and equipment (capital expenditures). Those that are able to spend less – that are efficient with their capital – are therefore able to pass along a greater proportion of their profits to shareholders.

Unlike mining companies that must funnel most of their earnings back into the business through capital expenditures, FNV's capital efficiency converts a high percentage of revenues into free cash flow (the amount of cash flow available after subtracting out capital expenditures).

In 2023, FNV generated $700 million in free cash flow for a 57% free cash flow margin. As a frame of reference, that's more than twice the 27% free cash flow margins of Microsoft – one of the best businesses in the world – and also better than the rest of the mega-cap tech cohort that has led the market in recent years (it also beats the 7% free cash flow margins of the world's two top gold miners, Barrick Gold and Newmont).

A "Gold Digger" That Doesn't Have to Dig

The long-term history of FNV's portfolio shows how deal-savvy the management team is when finding the right mines and operators to grow reserves over time.

When FNV first went public in 2008, the company had a $1.2 billion portfolio of assets with an average proven reserve base of more than 30 million ounces of gold.

Since then, that portfolio of assets has produced 45 million ounces of gold and generated $2.1 billion in royalties to FNV. And thanks to ongoing development and exploration at the mines which support those royalties, the reserve life of that same original portfolio has increased to roughly 70 million ounces as of year-end 2022, with no additional costs incurred by FNV.

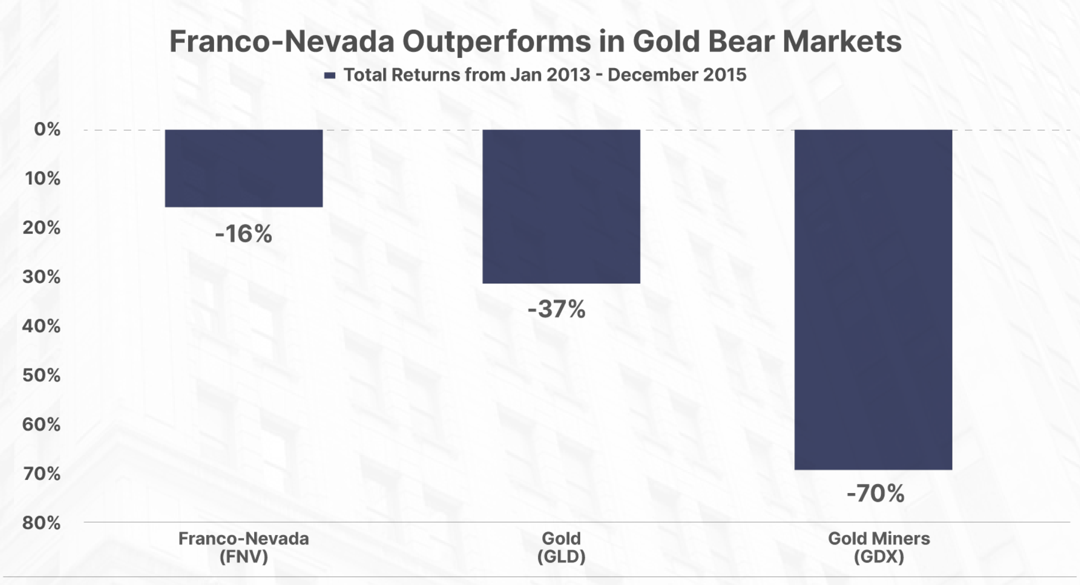
And that's where FNV's business model really shines. FNV strikes deals designed to recoup its original investment plus a double-digit rate of return while retaining future upside in perpetuity.

Most importantly, this future upside comes at no additional cost to FNV – its mining company partners foot the bill. When these miners sink money into the ground to grow their reserve base, FNV simply comes along for the ride.

Today, FNV owns a portfolio of more than 100 producing assets.

The Lower-Risk Way to Invest in Gold

The other advantage of FNV's capital-efficient royalty model is that it protects against the downside. During the previous gold bear market from 2013 - 2015, FNV suffered losses of just 16% compared with a 37% decline in gold prices and a 70% drop in gold mining shares:



The company's outperformance in gold bear markets traces back to its capital efficiency.

The most significant input cost for mining companies is labor. When gold prices fall, workers don't take kindly to pay cuts. Thus, gold miners get squeezed in bear markets when their operating costs remain elevated, and gold prices fall.

FNV, on the other hand, continues receiving its share of the gold produced, no matter how low gold prices go.

The same factors benefit FNV during bull markets, when input costs for fuel, equipment, and labor rise during periods of high inflation.

So while FNV takes a modest hit from lower gold prices, it doesn't suffer the same margin contraction miners incur during bear markets. And on the upside, FNV emerges from bull markets with substantially higher profits versus its mining peers.

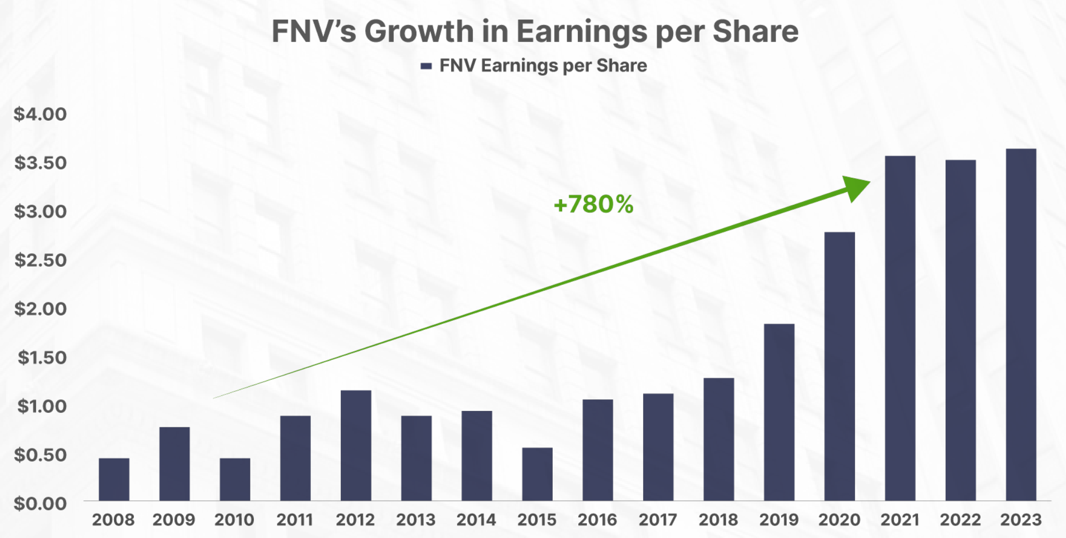
The final downside protection in FNV's capital-efficient business model comes from the company's ability to fund most of its growth through free cash flow, avoiding the risk of taking on excess debt.

For most of its history, FNV has maintained a pristine balance sheet with very little debt and lots of cash. Today the company has zero debt and $1.4 billion of cash on its balance sheet.

When FNV raises capital to accelerate growth, it typically issues shares.

Since going public in 2008, FNV has increased its share count by roughly 90%, from 100 million to 192 million shares outstanding as of year-end 2023. And the return on that capital raised has been spectacular.

Over the same period, the company's net income has increased 16-fold, resulting in earnings-per-share growth exceeding 780%:



Looking ahead, we expect this earnings trajectory to continue, based on our view of higher gold prices and FNV's ability to make great deals at the right mines with the right partners

FNV offers the ultimate form of insurance against the growing risks of U.S. dollar devaluation.

The company's world-class capital efficiency and deal-savvy management team allow investors to both protect wealth and grow it over time, making it an ideal complement to your physical gold portfolio.

And One Important Update

FNV shares sold off in October 2023, when the Panamanian government shut down a large copper mine that is one of the company's largest royalty assets. The Cobre Panama mine contributed 20% of Franco-Nevada's revenue and 16% of net asset value in 2023. FNV shares have regained some of what they lost in October, but they remain roughly 20% lower than our initial recommendation on May 11, 2023, effectively pricing in a total loss of the mine.

Cobre Panama remains closed but the new Panamanian president announced an environmental audit of the mine when he took office in May 2024. He could be more inclined to open the mine for many reasons. For one, Cobre Panama contributed 5% to the nation's gross domestic product ("GDP"), and two, it was a source of employment. For Franco-Nevada, there's still upside if the mine does not reopen as the company is pursuing litigation against the government, which could lead to a payment of $50 billion to the company.

Meanwhile, with the price of gold near an all-time high, the rest of Franco-Nevada's portfolio is performing well. Still, at 32x 2025 earnings, the shares trade at roughly a 40% discount to their average valuation of 56x forward earnings – sparking an incredible buying opportunity.

Action to Take: Buy Franco-Nevada (NYSE: FNV) under $125 per share.
For the latest updates on our open positions, please visit our live portfolio **here.**

Porter Stansbury

Porter & Co.
Stevenson, MD

P.S. If you'd like to learn more about the Porter & Co. team, you can get acquainted with us **here**. You can follow me (Porter) on **X** here: **@porterstansb**