



1 Great ETF With a 6.36% Yield for Your TFSA or RRSP

Description

Since their introduction in 1993 through the pioneer fund, the **Standard & Poors** exchange-traded funds (ETFs) have brought some significant cost advantages and some trading efficiencies that could not be offered by the older mutual fund investment option.

Today, the asset class has grown rapidly, and investors are now spoiled for choice as to which ETF to invest in among the hundreds on offer. Fund manager competition has greatly intensified, and management fees have come down significantly as a result.

With that in mind, fund manager skill and consistency has become a critical differentiating factor in deciding which manager or fund to go with.

I find the team at **BMO Asset Management Inc.** up to the task, and they seem to offer some enhanced yield-generation strategies at relatively cheaper management fees.

One of their funds, the **BMO Covered Call Utilities ETF** ([TSX:ZUU](#)) has been generating some spectacular risk-adjusted returns and is offering a 6.36% annualized payout yield while recording a significant net asset value growth rates so far in 2017.

This ETF is eligible for your RRSP, RRIF, RDSP, and TFSA investment accounts.

BMO Covered Call Utilities ETF

The BMO Covered Call Utilities ETF is a professionally managed fund that offers investors exposure to an equal-weighted portfolio of dividend-paying stocks, local and U.S. utilities, telecoms, and pipeline stocks. The high dividend yields on the underlying portfolio are then enhanced with covered call option premiums.

Most interesting is the fund's monthly payout at \$0.075, which offers a good 6.36% annualized yield at today's current unit price of \$14.16. For this year, the fund's net asset value (NAV) has grown 5.23% since January 1, 2017. It grew 9.26% over the past six months, and year-to-date growth currently stands at 12.32%.

This fund is somewhat diversified with 40.97% in utilities, 32.35% in energy stocks, and 26.68% in telecoms. Almost 64% of the fund is invested in Canada, while the remainder is allocated to U.S. stocks.

At an annual management fee maximum of 0.65% and a management expense ratio of 0.71%, the costs seem reasonably low for such an actively managed fund.

Most investors' favourite dividend stocks are currently represented in the fund's underlying portfolio, which includes **PPL Corporation** ([NYSE:PPL](#)) at 5.64% of the portfolio, **Duke Energy Corp.** ([NYSE:DUK](#)) at 5.55%, **Transcanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) both at 5.38%, **Fortis Inc.** ([TSX:FTS](#)) at 5.36%, **Rogers communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) at 5.33%, **Exelon Corp.** ([NYSE:EXC](#)) at 5.25%, **Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)) at 5.25%, and **Emera Inc.** ([TSX:EMA](#)) at 5.20%, among others.

Investor takeaway

An investment in the BMO Covered Call utilities ETF could be a wise idea if you do not have the time to personally manage your individual investment portfolio, or if you wish for a professional to do some practical derivative-based income-enhancement tactics for a small fee.

Covered call yield-enhancing strategies reduce portfolio volatility and produce higher income for the ETF.

However, the fund's upside potential is limited to the call strike prices. This is especially so if managers underestimate market volatility and price growth momentum such that the shares get called away as options expire in the money.

Most noteworthy, the ETF's past performance may not be repeatable in the future, but I trust the tried-and-tested professional fund managers to continue doing their thing in the coming months.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:DUK (Duke Energy Corporation)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. NYSE:PPL (PPL)
5. NYSE:RCI (Rogers Communications Inc.)
6. NYSE:TRP (Tc Energy)
7. NYSE:TU (TELUS)
8. TSX:EMA (Emera Incorporated)

9. TSX:FTS (Fortis Inc.)
10. TSX:PPL (Pembina Pipeline Corporation)
11. TSX:RCI.B (Rogers Communications Inc.)
12. TSX:T (TELUS)
13. TSX:TRP (TC Energy Corporation)
14. TSX:ZWI (Bmo Covered Call Utilities ETF)

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1. Investing

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