



Want Good Returns Without the Risk? This ETF Has Soared 26% in the Past Year

Description

Investing can be as complicated as you make it. You can set up a complicated algorithm in the hopes of finding a trend no one has found or try and estimate the value of a firm by estimating its future cash flows. The problem is that there's no guaranteed way to succeed, whether you're relying on fundamentals or trying to read charts.

There is a lot of unpredictability when it comes to stocks, and that makes investing in just one stock very risky. Consider **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)), which has been soaring for the past few years but has also seen sharp declines in price and generated a lot of volatility, especially when it received [criticism](#) about its business model.

Investors that panicked and got out could have missed out on future increases in price and could have suffered significant losses in the process.

Canopy Growth Corp. ([TSX:WEED](#))(NYSE:CGC) and other pot stocks have also been doing tremendously well with excitement leading to legalization, making investors very bullish on the industry as a whole. The problem is, there have been big declines along the way as well, and with stock prices trading at big premiums, the industry is already due for a correction.

This doesn't mean that everyone should only own safe bank stocks, like **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), although that's never a bad option, but it underlines just how much risk investors can be exposed to without any warning at all. **Home Capital Group Inc.** ([TSX:HCG](#)) was looking like a good investment last year until a scandal [rocked the company](#).

Are ETFs the answer?

One way to get around a lot of these wild fluctuations is to invest in an ETF. With many stocks included in a fund, big swings in price won't have as big of an impact on the overall holding. There are also many different ETFs to invest in, and you can select a specific industry or market that you want to hold.

Not only does this bring down your transaction costs, but it will also help you closely mirror the returns

of the underlying market or industry.

One of my favourite ETFs is the **BMO NASDAQ 100 Equity Hedged to CAD ETF** ([TSX:ZQQ](#)), as it holds the top stocks on the NASDAQ and will allow you to benefit from what's been a very bullish U.S. economy. In the past year, the NASDAQ 100 has produced returns of 26%, well in excess of the TSX's returns, or what you could have earned by owing a safe stock like TD.

Now, the ETF hasn't outperformed Canopy Growth or Shopify, but those stocks also expose you to much greater risk, and if you'd bought in at the wrong time, your returns could look very different. But for an investor that may not be sure of what to invest in, and for those that don't want to put all their eggs in a select few stocks, ETFs solve a big problem.

It may not be as exciting as riding the highs and lows of Shopify and Canopy Growth, but an ETF is a true buy-and-forget strategy.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:SHOP (Shopify Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:HCG (Home Capital Group)
5. TSX:SHOP (Shopify Inc.)
6. TSX:TD (The Toronto-Dominion Bank)
7. TSX:WEED (Canopy Growth)
8. TSX:ZQQ (Bmo Nasdaq 100 Equity Hedged To Cad Index ETF)

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