



## Prudent Investors: A Low-Beta REIT for Your TFSA Retirement Fund

### Description

If you're looking to maximize your TFSA portfolio's risk-adjusted returns, REITs are [stellar investments](#) to own, even if you're not looking for big yields. They can make you wealthy just like stocks can, but with REITs, you're getting a below-average degree of volatility.

But, of course, there's one major caveat.

The lower degree of volatility means fewer upside surprises, and that makes the asset class as a whole less attractive to traders and shorter-term investors who are looking to make money in a time horizon that's less than a year. The odds of having a sharp up or down move on any given day is considerably lower compared to stocks, but that's a good thing if you're a long-term investor who could care less about flipping stocks for a quick profit.

In an era where quick gains are all the rage, the lack of surprises makes REITs among the unsexiest of investments. But if you're a long-term thinker who's looking to combat volatility and lower your portfolio's correlation to the broader market, REITs are very sexy investments to have alongside your portfolio of stocks. The lowly correlated moves of REITs will help shield you from volatile times, but they shouldn't be seen as a "magical solution" that can make your portfolio indestructible in the event of a severe economic downturn.

Sure, REITs have lower correlations (or betas), but when there's a big market crash, not even REITs are spared in spite of their tendencies to zig when the markets zag.

Consider **InterRent REIT** ([TSX:IIP.UN](#)), a small REIT with a proven growth strategy and a chart that trades as if shares were in another world. The REIT has negative one-year and three-year betas of -0.211, and -0.178, respectively, and a positive 0.125 5-year beta.

### What do these super-low betas mean for investors?

InterRent REIT shares have a ridiculously low correlation to the broader markets. Unless there's a market-wide meltdown like what we witnessed during the Financial Crisis, macro and geopolitical

events will have very little (if any) influence on shares.

In times like these, when the market tanks when Donald Trump makes a tweet, you're going to want to have securities in your portfolio that have the ability to hold their own.

Back in December, when everybody was crying bear, InterRent flopped by around 9%, and if you were quick to pick up the stock, you made a killing, as shares fully recovered in fewer than two weeks and continued to move higher until late March.

Now, just because InterRent REIT has a low beta doesn't mean investors are immune to big downside. At the time of writing, both the S&P 500 and TSX index are within around 2% of all-time highs, and InterRent shares are down around 7% after recovering slightly from a nearly 9% peak-to-trough drop.

This goes to show that low-beta plays like InterRent can lose when the markets win and vice-versa. Over the long term, however, shares of InterRent will outperform; they'll just take a much different pathway than most other higher-correlated securities.

## What about the REIT itself?

I described InterRent's ["fix 'er up" business model](#) in a prior piece. InterRent is essentially the "value investor" of the real estate world, picking up poorly managed properties and driving value for shareholders by transforming them into better, higher-ROE properties.

## Does the model work?

I'd say the proof is in the pudding. The stock has more than doubled in four years, and although the 2.12% yield is nothing to write home about, longer-term investors should be euphoric over the potential distribution growth that could be clocked in the years to come.

## Foolish takeaway

Need to dampen the volatility but still want to reap big rewards? InterRent REIT is a stellar bet that could make you rich as shares zig when the markets zag. Right now, shares have dipped, so I'd be quick to pounce on shares for your TFSA, because if I had to guess, they're going to recover very quickly, as they have so many times in the past.

Stay hungry. Stay Foolish.

### CATEGORY

1. Dividend Stocks

### TICKERS GLOBAL

1. TSX:IIP.UN (InterRent Real Estate Investment Trust)

### PARTNER-FEEDS

1. Msn
2. Newscred
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