Stop Speculating: Buy This BMO ETF for Smooth Sailing to Substantial Retirement Wealth

Description

Volatility is the new norm. Like it or not, the stomachs of investors will need to strengthen accordingly to make substantial wealth over time. If you find that the amplified ups and downs of the markets have started hurting your ability to make decisions, it may be time to re-balance your portfolio to reduce its correlation to the broader markets.

As an investor, you shouldn't seek to maximize your returns at any cost. What you should be seeking are returns when adjusted for the amount of risk and volatility you'll expect to bear. The pursuit of excess risk-adjusted returns, not just returns, separates the successful, seasoned investors from the newbies.

Chasing the "sexy play" at a given instance in time is the pursuit of "just returns," and such crowd-following is a sure-fire way to lose your shirt in a hurry. Chasing excess risk-adjusted returns (or alpha) is much harder, as it requires not only tonnes of homework for the investor to do, but the right mindset that includes patience, discipline, and conviction. By maximizing your returns relative to the risks you'll take on, you'll follow in the footsteps of the greatest investors and will be able to get very rich over time without requiring you to risk your shirt to do so.

In the current market environment, where the direction of markets is dictated by the latest news regarding the U.S.-China trade war, it's tough to avoid volatility. The risk bar has apparently been raised, and for those who are feeling ill about the whole situation, there is a cure: **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB), a basket of high-performing stock all have a low beta (or low correlation to the broader equity markets).

Unless your equity portfolio already has a ridiculously low correlation to the broader equity markets, the inclusion of the ZLB will lower your portfolio's overall beta and will help dampen your portfolio's sensitivities to the violent ups and downs of the markets. For investors, this lower volatility is highly desirable, especially in the uncertain times that we live in, where multiple corrections in a year are the "new norm."

ZLB offers investors something for free beyond the benefits of diversification

Now, I'm sure you've heard from your advisor that "lower risk (or lower volatility) means lower potential rewards" and while the desirable trait of below-average volatility may come at the expense of potential reward, ZLB, I believe, is a way to "cheat" the system by getting a lower degree of volatility without sacrificing returns you'd get with an index fund.

In a prior piece, I praised ZLB's "smart-beta" strategy as a reason why the ETF was able to produce stable returns that were not only comparable to the S&P 500 and TSX index but managed to beat these indices while enduring a far lower degree of volatility.

The way I see it, with ZLB, you're essentially getting the smoother ride thrown in for free. And the outperformance versus the ETF's benchmarks is well worth the price of admission (the 0.4% MER). So, Fools, the choice is yours: Would you rather sail the rough waters for a mediocre reward or enjoy smooth sailing to an equivalent or even better reward?

The answer is clear: ZLB is a king in its own regard. The ETF's constituents are hand-selected in accordance with a strict investment strategy. The result? A one-stop-shop investment solution for investors who seek to maximize their returns relative to the implied volatility of the underlying securities.

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1. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

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Date
2025/07/04
Date Created
2019/05/28
Author
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