TFSA Top Pick: This Bank of Montreal (TSX:BMO) ETF Is a Gift That Keeps On Giving!

Description

Hats off to **Bank of Montreal** (TSX:BMO)(NYSE:BMO) and its wide selection of ETFs, many of which offer incredible value for investors given the attached sticker price in the form of MERs. As a Foolish long-term investor, just browsing the BMO ETF roster website was like being a kid in a candy store. There are so many fantastic options for investors of all sorts, and they're priced to own, unlike the ridiculously priced active mutual funds that often fail to beat the market!

While BMO does have active managers behind the scenes, they're required to abide by a crystal-clear strategy and aren't allowed to make subjective calls or do the "window dressing" that many other fund managers may be guilty of when it's that time of the year. That's part of the reason why I love BMO's line of ETFs; the other major reason is the "smart-beta" approach, which has taken the passive-investment world by storm over the past few years.

Smart-beta portfolios look to favourable traits like momentum, volatility, value, and a bunch of others that I won't go into detail in this piece. **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB), for instance, draws more attention to maximizing the trait of lower volatility.

If you have a look at the results thus far since the ETF's inception, it's clear that the strategy has resulted in something that we investors get for free, which is extremely rare in the world of investments. The lower degree of volatility is thrown in for free, meaning total returns relative to the benchmarks are not surrendered despite the desirable "lower-risk" trait that comes with "less-volatile" securities.

You always hear advisors saying, "low risk equals low reward," ad nauseam. It's true in most instances, but it's not necessarily true for those who master the art of effective portfolio management. Lowering beta lowers volatility (or what the public perceives as risk), and in the case of ZLB, you're getting better returns than those of the TSX index, which has been a meagre investment over time.

Simply put, ZLB and many other BMO ETFs are gifts that keep on giving. ZLB's constituents are "Steady Eddie" firms that your active fund manager should be buying and holding for you for decades at a time. With ZLB, you're getting a terrific basket of businesses that fit the bill, not just low volatility, but high-performers that exhibit other favourable smart-beta traits.

And with a reasonable 0.39% MER, you'll be able to compound your wealth that much faster instead of lining some money manager's pockets with the obscene fees (I've seen MERs as high as 2.8%) charged by some of the actively managed mutual funds out there.

As for BMO itself, I see great things happening for its wealth management business should it continue releasing intriguing, cheap, new ETF products for Canadian investors. It's a win-win for BMO and all Canadians.

Stay hungry. Stay Foolish.

CATEGORY

1. Bank Stocks
2. Investing
3. Stocks for Beginners
4. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Investing
3. Stocks for Beginners
4. Top TSX Stocks

Date
2025/07/02
Date Created
2019/06/21
Author
joefrenette