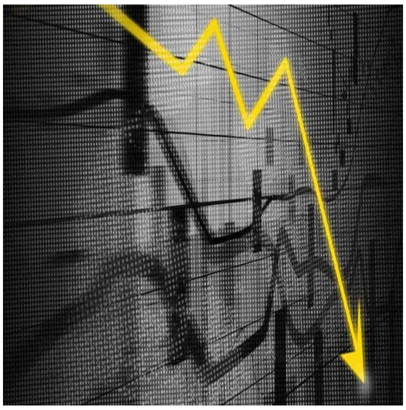

TFSA Investors: How to Get Ready for Even More Volatility in September

Description

August brought forth some choppy waters, and with a tonne of material macro events on the horizon, investors should get used to more of the same as we head into what could be a September to remember.

As investors return from their vacations looking to do some tax-loss selling before the rest of the herd, any negative moves could easily be exaggerated. The yield curve inversion, trade war tensions, and excessive use of the *r* word in headlines have many investors questioning whether it still makes sense to be overweight equities given the haze of uncertainty that lies ahead.

And while September has preceded some of the nastiest market crashes in history, Foolish investors know that it's a bad idea to time the markets — period.

If the never-ending series of negative headlines are starting to get to you, and you're starting to get worried about the markets falling off a cliff in September, it may be time to readjust your TFSA to prepare for an even higher-volatility environment.

What's the cure?

Enter **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB), a steady portfolio of low-beta dividend studs that get a thumbs up from BMO's smart managers who aren't going to charge you nosebleed-level fees for their services (even though I'm sure they could given the performance of ZLB since its inception).

August saw the Dow move by hundreds of points on any given day, and ZLB simply smoothed out the choppy moves to finish the month at a new all-time high. It's not any form of sorcery. ZLB stands by its disciplined model with cash flow-generative businesses within the defensive industries like the utilities, telecoms, REITs, with "special" hedge plays like **Fairfax Financial Holdings** (TSX:FFH) thrown into the basket for some downside protection come the next black swan event.

Fairfax CEO Prem Watsa is known as Canada's version of Warren Buffett, but unlike Buffett, the man isn't afraid to short, and he's not hesitant to place bets on complicated financial instruments to profit from macroeconomic trends. Watsa navigated through the last recession quite smoothly, and although he's bullish on the Trump administration, Fairfax still retains hedge bets to protect against the next downturn.

While Fairfax itself hasn't really done well on its own over the years, it is a great "wild card" investment that can supplement any basket of stocks (like ZLB), which desires to be more defensive. Having the stock trading at a 10-year low valuation certainly doesn't hurt either.

Foolish takeaway

Like it or not, more volatility could be in the cards in the coming months. September is nothing to be feared if your portfolio is sufficiently prepared for wild market swings with ETFs like ZLB or "special" low-beta hedge plays like Fairfax.

Hang in there and don't make any rash decisions should the Dow drop by a could hundred (or even a thousand) points in a single trading session, as we navigate through a month that's notorious for off-the-charts volatility.

Stay hungry. Stay Foolish.

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

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