Market Crash: Diversify Your Portfolio Today

Description

Although the entire world is going down the toilet right now, it could be argued that Europe has been a basket case longer than most areas. It just seems like this part of the world just can't get any traction, even before the coronavirus struck.

The good news is that this is a part of the world that is very cheap and unloved. If you, like me, are into finding cheap stocks, Europe is a place where you can look. The problem is, for many investors, it can be very difficult to invest in companies that are not listed in North America.

Furthermore, it is not very cost-effective given the trading fees associated with these companies are frequently very high. So how does one invest in this segment?

ETFs are the key

The best way to invest in Europe is through the use of an ETF, giving you the opportunity to hold many stocks at once, increasing your diversification. It also allows you to buy the shares in Canadian dollars so you won't have to exchange currency by yourself.

There are a number of European ETFs, but one I have used and recommend is the **BMO High Dividend Hedged to CAD ETF** (TSX:ZWE). This ETF has its own positive and negative attributes, so it is up to you to decide whether it works best for your portfolio.

Dividend income

The dividend is a huge difference between deciding which stock you're going to own. ZWE has a very high yield, with an income of around 9% coming from that stock. The income comes from the fact that ZWE uses a covered call strategy to increase income, which helps mitigate the downside and produces more income than you would generate from dividends alone.

Holdings

ZWE consists of European stocks only, giving you focused exposure to the region. By purchasing the ETF, you're therefore gaining exposure to large, international European companies in a variety of sectors.

Fees

Although the fees are a little higher on the ETF, it's for a good reason. ZWE has a management expense ratio (MER) of 0.72%. A large portion of this MER of the ZWE goes to the fees associated with the covered call strategy, so it's the cost of producing higher income. If you consider the cost of buying your own European stocks and writing covered calls, the fee appear very reasonable.

The bottom line

At the moment, I am partial to the ZWE because of the covered call strategy. Although the fees are higher, I like the mitigated risk associated with gaining the premium from the covered calls.

If you believe that markets, especially those markets outside of the U.S., are going to turn around in a hurry, you will lose some upside, as you will not be forced to sell winning positions as a result of the covered call strategy.

Personally, I'm pessimistic that a sustained turnaround is on the horizon and will therefore stick to the ZWE income ETF.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:ZWE (BMO Europe High Dividend Covered Call Hedged to CAD ETF)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
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