



Billionaire Hedge Fund Manager Ray Dalio Thinks This Investment Is Under the Radar

Description

Ray Dalio is a billionaire. He's also in charge of the largest hedge fund in the world, Bridgewater Associates. When Dalio speaks, markets listen.

Last week, he had an interview with *CNBC*, where he shared his thoughts on an under-the-radar investment. His conclusions should have consequences on several global markets, including Canada.

The best news is that it's possible to follow Dalio's advice with your own portfolio.

Don't forget about China

Many Canadian investors are overweight Canadian equities like the **S&P/TSX Composite Index**. The next most popular domicile is the United States. But limiting your investment portfolio to these two countries can add excess risk and reduce your long-term opportunities.

For a long time, China was a growing destination for foreign capital. The pandemic changed that, forcing many investors to withdraw their exposure to the country. That's pushed valuations down to attractive levels. Dalio thinks it's time to jump back in.

When asked how many people are underweight China, Dalio [responded](#), "Almost everybody." He thinks investors shouldn't ignore the country's promise, which can be tapped through a diversified approach.

"That means to achieve the right kind of balance of assets in China," Dalio explained. "Our approach is, we call it all-weather approach, it's a certain balance in which you achieve balance without lowering the expected return. From that, you want to make the tactical moves."

He's essentially saying that his firm has a wide array of bets that are diversified across regions, sectors, and end markets. The country is still growing at faster rates than Canada and the U.S., but investors also receive currency diversification as well.

"You'll see more of the internalization of the [yuan], and it's a natural consequence because as the dollar and the major reserve currencies are having the challenges that we are talking about, some element of void will be there," Dalio concluded.

Currency diversification is of growing importance for Canadians. A large percentage of our domestic wealth is based on resource extraction. The loonie often rises and falls based on movements in oil prices.

With fossil fuel demand now in [secular decline](#), your money may be worth significantly less in the years and decades to come. By owning Chinese securities, you hedge that risk.

How to follow Dalio

Dalio revealed that he has two methods of investing in China. The first is a broad-based bet. The second is a more tactical approach.

It's not difficult to get exposure to Chinese markets. There are several market ETFs that can do the trick. The **iShares MSCI China ETF** is the most popular, with more than \$6 billion in assets. The **SPDR S&P China ETF** is another quick option.

To get more tactical, you'll need to look at niche ETFs like the **KraneShares CSI China Internet ETF** or the **KraneShares MSCI All China Health Care Index**. In the past, some of these industry-specific vehicles have doubled in price of a single year.

Perhaps the highest-upside option is the **Invesco China Technology ETF**. Long term, China's tech sector should be the largest in the world.

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