Forget Bitcoin and Gold: Here's an ETF That Could Crush the TSX in 2021

## Description

Bitcoin and gold are speculative assets that aren't without their own share of risks. The two speculative assets remain difficult to evaluate given the numerous variables and are only worth buying as a hedge to an otherwise diversified portfolio of stocks. While Bitcoin and gold are viewed as some sort of safe haven amid the unprecedented magnitude of money-printing in response to the COVID crisis, I'd urge investors not to chase momentum and to limit their exposure to such assets to around 5% of a portfolio.



Both Bitcoin and gold are unproductive assets that lack any real intrinsic value. Warren Buffett has previously stated that gold (like Bitcoin) produces nothing over time and is only worth as much as someone else is willing to pay. Given both gold and Bitcoin are near their all-time highs, the price of admission into both alternative assets are anything but cheap. Still, for those looking for a long-term hedge, either asset may be worth a second look, as long as one isn't just looking to make a quick buck through near-term speculation.

# Low volatility in a high-volatility market

This piece will have a look at a productive asset that I'd be willing to bet will make investors a heck of a lot more wealth over the next 10 years while still maintaining a lower correlation to the broader stock market. Without further ado, consider **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB), a diversified basket of high-quality Canadian stocks that tend to zig when the **TSX Index** zags and vice-versa.

In prior pieces, I've touted the ZLB as the ETF to own instead of the TSX Index, which, on its own, is quite a terrible, undiversified investment. The ZLB not only has greater sector diversification, with more essential nutrients (like consumer defensives, utilities, and industrials) instead of an overwhelming overweighting in the energy and financials, but it's also screened for quality by BMO's brilliant managers.

Just have a look under the hood, and you'll see that the ZLB is full of low- to no-beta stocks, including the likes of **Hydro One**, which is one of the better bond proxies out there. Hydro One is a virtual monopoly and is less likely to be influenced by moves in the broader markets because of its highly regulated operating cash flow stream.

Many of the ZLB's constituents also pay handsome dividends, which further dampens volatility in the ETF. Whenever you've got low beta and high dividends in your portfolio, you'll be positioned to keep your cool in a high-volatility world.

## Low volatility doesn't mean no volatility

As fellow Fool contributor Kris Knutson put it in his piece, the ZLB's "low volatility" trait is essentially nullified when there's a cash-crunching market meltdown like the one suffered in February and March.

"If you look at the chart for the past few months, you will notice that these ETFs got hammered along with everything else. You will not be immune from a serious downturn in stocks. That being said, though, you will be more sheltered from a permanent loss of capital." wrote Knutson.

The ZLB can give you a smoother ride (far smoother than gold or Bitcoin) in the upward direction. Just be mindful that the ETF isn't some magical way to walk away from the next market meltdown unscathed.

## Foolish takeaway



The ZLB can provide you with a juicy 2.8%-yielding distribution alongside steady appreciation over time. So, if you're wary of volatility and want to dampen your portfolio's ups and downs, look to the ZLB, which, unlike gold or Bitcoin, is actually productive!

**CATEGORY**

1. Coronavirus
2. Investing
3. Stocks for Beginners

**TICKERS GLOBAL**

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

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Coronavirus

2. Investing
3. Stocks for Beginners

**Date**
2025/08/24
**Date Created**
2020/12/30
**Author**
joefrenette