
# Invest Like Warren Buffet and Load Your RRSP Up with This ETF

## Description

For those with Registered Retirement Savings Plan (RRSP) room this tax year, this ETF could save your portfolio.



Many high-profile investors much smarter than me think now is the time to hedge. With a market crash potentially on the horizon, many investors are loading up on counter-cyclical investments. Warren Buffett has (uncharacteristically) recently invested in the gold sector, tapping **Barrick Gold** (TSX:ABX)(NYSE:GOLD) to join the company's exclusive list of portfolio holdings.

For investors worried about investing in one particular gold miner, here's an exchange traded fund for you.

## A great diversification tool

The **VanEck Vectors Gold Miners ETF** (TSX:GDX) is perhaps the best ETF for access to high-quality gold miners. This ETF is focused on gold miners and is weighted heavier toward large cap companies such as Barrick. In fact, Barrick makes up more than 10% of this portfolio. This gives investors looking to follow in Buffett's footsteps with excellent exposure to the highest quality gold miners out there.

**Kirkland Lake Gold** (TSX:KL)(NYSE:KL), my top pick in the gold sector, is also the seventh largest holding of this fund. Additionally, this ETF provides some silver exposure with various holdings of silver producers as well. This makes this fund a precious metals play more than purely gold, increasing the diversification thesis for this ETF.

Diversification is everything, and putting too many eggs in one basket can be a dangerous proposition. With gold miners, mine-specific risk is real. Mines could have a COVID-19 outbreak or production problem. Similarly, a particular company's management team could be poor resource allocators. There are a myriad of issues that could plague investors. Therefore, buying a basket of the best quality companies in a given sector is a great way to limit this downside risk.

# Risk/reward looks good

The benefit of owning one particular stock is the trading fees may be less than the management expense ratio (MER) of this fund. This ETF has a higher MER (0.52%) than many ETFs due primarily to the higher trading cost of some of the fund’s portfolio components.

There are also risks related to precious metals prices lagging in the quarters to come. Gold is not the hedge it used to be, and gold miners continue to be undervalued due to the markets’ recognition that gold miners are actually notoriously terrible at cost containment and corporate governance.

That said, real yields are still very negative, and are projected to be so for some time. As long as real yields (long bond yields less inflation) remain negative, gold stocks is likely to remain attractive as an asset class. Gold by nature is a natural hedge to inflation.

This asset class is also priced in U.S. dollars. With global stimulus (particularly in the U.S.) increasing the thesis for sustained inflation on the horizon and a lower U.S. dollar, GDX looks really cheap right now.

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2. Metals and Mining Stocks



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