Dividend Seekers: New Canadian Stock ETF Aims for 8.5% Yield!

Description

The **TSX** continues to be a volatile place to invest. This week proved it. With the COVID-19 Delta variant causing markets to swing, it proves that it's the best time to find a safe Canadian stock until the market cools.

But that doesn't mean you can't look for passive income. If you're a Motley Fool investor that wants a Canadian stock that should provide growth and dividends, there's a new Exchange-Traded Fund (ETF) just for you: the **Hamilton Enhanced Multi-Sector Covered Call ETF** (TSX:HDIV).

About this new ETF

The new Hamilton ETF came on the market Wednesday, trading at $16.50. The ETF aims to create a portfolio similar to the **S&P/TSX 60**, while also looking to reach a dividend yield of 8.5%.

Management has also stated it aims to give investors 1.25 times the market return. That would mean if the market were to rise by 20%, investors would receive 25%, but it also means the reverse as well. It aims to achieve both these goals by creating a mix of several covered call ETFs that would be similar to the TSX 60 while also adding high-yield equities such as utilities.

Why both? While covered calls offer high yields, they can also mean less exposure to returns. So this new Canadian stock aims to fix that by offering both.

Too good to be true?

Not exactly. The issue here is that while you *should* see higher yields and returns, you're also more likely to be affected during a market downturn. No ETF is immune, but Hamilton does aim to choose mainly quality companies that would rebound during a crash quite quickly.

And as Motley Fool investors know, we tend to stick to long-term holds. So you should see your shares rebound and continue climbing upwards.

However, as I mentioned, this is a new Canadian stock. So there isn't any proof from this ETF alone that it can indeed achieve a significant rebound. One would have to dig into the companies themselves to see whether it's likely.

So if you're a Motley Fool investor looking to take out cash soon, then you probably want to sit back and add this to your watchlist rather than your portfolio for now.

But if you're a long-term investor looking to get in on high dividend yields on the ground floor, this is an excellent option. An 8.5% dividend yield is absolutely unheard of these days. On top of that, the dividend comes out monthly!

Foolish takeaway

There is risk investing in any new Canadian stock, even with one like this with lots of conservative exposure. So while on the one hand you could get in on the ground floor and receive strong returns, it's still a volatile market today.

The TSX continues to dip and dive, and it looks like investors may see similar short-term performance from this ETF as well. However, if you're willing to buy and wait it out, it looks like this could be a great Canadian stock for long-term Motley Fool investors to consider, with a superior dividend yield to boot!

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