Canadian Investors: 1 of the Best High-Dividend Funds for 2022

### Description

Canadian investors are in a tough spot this January 2022, with rates ready to surge higher over the coming months, all while inflation continues nibbling away at the purchasing power of cash and cash equivalents. Indeed, it's not an ideal place to be, with pressure points across the board and few, if any, places to hide from broader stock market volatility.



Instead of fearing the unknown, though, investors should embrace it. In order to do so, however, one needs a foundation that they know can hold up in the face of a broader market correction or worse. We've gone without a 10% correction for over a year now. We are overdue, but will we kick off the first quarter with one? It's hard to say, but the S&P 500 is nearly a third of the way there. As a stock (or fund) picker, there are places where one can strategically invest such that they won't face amplified damage if the market correction finally does strike in 2022.

In this piece, we'll have a look at two top high-yield ETFs to buy and hold through 2022. Consider **BMO Covered Call Canadian Utility ETF** (TSX:ZWU). It's one of the best high-yield ETFs powered by some of the most robust dividend payers in the country. While the utility-based play isn't sexy, is it one of the more intriguing options to outdo the TSX Index in the new year. The ZWU can help you build wealth, but, most importantly, it can hold its own when market waters get rougher. Indeed, 2022 is shaping to be quite the hurricane of a year. Regardless, the risk/reward on both solid funds seems more than compelling.

## The ZWU: A 7.4% yield if you're mildly bullish on the utility space

The ZWU is a covered-call ETF that owns some of the most cherished Canadian utility stocks outthere. While utilities are a great way to play defence, especially in this environment, many have beenon quite a run. In the face of higher interest rates, the utilities could see their growth prospectsdiminish, albeit modestly. Undoubtedly, the cost of borrowed capital to fund projects will go up. Higherinterest payments could come out of the bottom line, and that means slightly less in the way of totalreturns for investors, assuming all else is equal.

Currently, the utility space seems mildly cheap to fairly valued. In the face of potential headwinds, I favour the ZWU over most other utility funds. Why? The covered-call aspect. The ETF collects premium income at the cost of upside in the names the fund owns. Covered calls are a great way to get more yield if you believe that capital gains are limited in the names you're looking to buy.

So, if you're mildly bullish on a sector like I am with the utilities at these valuations. The ZWU is a solid bet. And the covered calls are worth the additional price of entry, as the extra income can help dampen any volatility headed your way.

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1. TSX:ZWU (Bmo Covered Call Utilities ETF)

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