Higher Volatility Could Strike in 2022: 1 Simple Investment for Smoother Sailing!

Description

Investors have been dealt a tough hand. There's no doubt about that, with bonds close to the most unrewarding they've been and equity valuations that leave a lot to be desired on the value front. Indeed, there are glimmers of value here and there, but for most retired passive investors, there is no single asset class that can help one thrive. Indeed, inflation is a huge threat to many of our investment funds.

Each year, inflation withers away a percentage. Last year, it eroded a record amount for many of us who weren't around in the inflationary days of the 1970s. Undoubtedly, inflation has laid pretty dormant for an extended duration, occasionally coming out briefly after crises. This time, the U.S. Federal Reserve may have been wrong to be too dovish, paving the way for higher inflation that could last years.

Volatility isn't going away — at least not anytime soon, it seems

You can't blame chairman Powell for this one, though. The COVID pandemic has been a difficult beast to tackle. And undoubtedly, a depression or prolonged recession could have hit had it not been for Powell's prowess in disaster response. Now, we're all dealing with the aftermath. And until the Fed can raise rates at least a handful of times (three are on tap for 2022), we'll have to live with these horrific price increases.

Instead of worrying about what other investors are already panicky about, try to take the other side of the trade. Undoubtedly, it paid off big time in late 2020, when energy and financials bottomed out and moved higher, setting the stage for an epic rally that's lasted to date. Meanwhile, the hot tech trade soured, leaving those who chased the hottest of names higher with the most damage.

In this piece, we'll have a look at one intriguing ETF holding many low-beta stocks to help investors beat both inflation and persistent levels of inflation through 2022 and beyond.

Without further ado, please consider **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB).

Fighting volatility with dirt-cheap, low-beta dividend stocks

The ZLB was designed to give Canadian investors exposure to some of the least correlated but very investable names on the Canadian market. Further, it's better diversified across sectors than the broader TSX Index, which I find to be a questionable investment at best, given its overweighting in energy and financials.

What's there to love about the ZLB? A high degree of diversification, a lower correlation to the stock market, a growthy, but still rewarding dividend, and compelling value across the board. You see, many of the names within the ZLB are not the ones you'll find atop a market cap-weighted Canadian mutual fund or index ETF.

What's in the ETF?

Think names like **Hydro One** or **Metro**, two very defensive high-yield names that tend to zig when markets zag. After a solid year of gains, the ZLB yields an attractive 2.5%. With a low 0.39% MER, the ZLB, arguably, is one of the best and quickest ways to play it more defensively with your portfolio. In 2022, value, low beta, and a sound defence could be key to outpacing the TSX or S&P 500. And the ZLB is a great way to do such.

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