2 Aggressive ETFs for Daring Investors

Description

Under the right circumstances, stocks can spike as much as 1,000% in a matter of weeks or months. But these circumstances are rare, challenging to predict, and the typical assets this level of growth is associated with are usually too risky for conservative investors.

And even though a lot of ETFs carry a high-risk rating, the potential of such spikes is very rare. Even the ETFs that are made up of a minimal number of similar properties almost never show such aggressive growth. But they also don't carry as much of the risk.

So, if you want to be a bit daring with your investments without pushing the risk rating of your portfolio too high, aggressive ETFs might be a great way to "wet your feet."

An energy-oriented ETF

BMO Equal Weight Oil & Gas Index ETF (TSX:ZEO) is made up of just nine securities, all of them Canadian. This is a relatively thin spread, even though the companies are all energy giants and highly stable players in the Canadian energy industry. The stock carries a high-risk rating, which is understandable, considering the ETF's single-sector focus and the current condition of the energy market.

Still, the risk comes with rewards, but under the right market conditions. The ETF saw a steady decline during the last few years, but its post-pandemic performance has been off the charts. The ETF grew 172% after the 2020 crash, which is quite impressive considering the inter-sector diversification it offers. The high growth of underlying assets like **Cenovus Energy** likely made up for the slow growers like **Enbridge.**

A marijuana ETF

If you want to add a differently risky asset class in your portfolio, **Horizons Marijuana Life Sciences Index ETF** (TSX:HMMJ) might be a great choice. It follows the North American Marijuana Index benchmark

, thus offering more comprehensive diversification. However, it’s rated as risky, just like the energy ETF.

In the case of this ETF, the risk is also associated with the sector, but the situation is drastically different. Life science companies in North America are expecting a significant boom following the federal marijuana legalization by the U.S. government. It’s a significantly larger market than Canada, with an even wide sphere of influence, which can overclock the revenue stream of these life science companies.

The 12-month period, so far, has been quite devastating for the stock’s performance. It has fallen about 66.9% from its 2021 peak, and if it grows, the growth can be just as robust.

Foolish takeaway

The two relatively risky ETFs can offer tremendous growth, but only if the market conditions are right. The problem with diversification (that ETFs offer) is that in order to offer great returns, the whole set of underlying assets has to grow, and you can’t capitalize on individual companies breaking out of the pack and soaring before the broad sector catches up.

CATEGORY

1. Investing

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2. TSX:ZEO (BMO Equal Weight Oil & Gas Index ETF)

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