1 Great Canadian ETF to Invest in China

Description

The **BMO MSCI China ESG Leaders Index ETF** (TSX:ZCH) is one of the hidden gem ETFs that can provide Canadian investors with instant exposure to some of the most intriguing areas of the battered Chinese market. Indeed, the Chinese stock market has endured some serious volatility over the past year. Led lower by big tech and fears that the government will continue placing hurdles in front of its most influential companies, many have viewed Chinese stocks as less than investible. At writing, many Chinese tech stocks are a country mile away from their highs. Indeed, many have given up on the China trade. But that's exactly why they may be compelling to pick up through an ETF like the ZCH.

Indeed, delistment is another top risk that's keeping people from investing in one of the growthiest economies out there. While growth in China has slowed down of late, I still think the economy is worth betting on for those with investment horizons beyond 10 years. Indeed, the U.S. could pass the torch to China at some point over the next decade. The world's largest economy could produce enviable returns for those who bought at or around lows. That said, the risks involved with Chinese stocks cannot be discounted.

Betting on a Chinese stock market recovery?

Still, Charlie Munger, Warren Buffett's trusted partner, is not backing down from the Chinese market. In fact, China may hold some of the world's best value at this juncture. Though delistment from U.S. exchanges is a top risk, the ZCH is a less stressful way to bet on the broader basket. Even if U.S. ADRs (American Depository Receipts) were to be delisted, you'd be in good hands with the ZCH.

Of late, the ZCH changed its name, strategy, and allocation. It's no longer just a Chinese index fund rather it's a more ESG-friendly ETF that owns some of China's top ESG leaders.

Tencent Holdings and **Alibaba Group Holdings** are standout names on the ETF, comprising around 40% of the ETF at writing. Indeed, that's a big chunk, but the Big Two Chinese tech giants are so beaten down, with valuations and growth rates that are hard to ignore. Personally, the ZCH is an easy way for Canadians to diversify their portfolios a bit with some of the most underrated tech studs on the planet.

While Tencent and Alibaba may be severely undervalued, investors should not expect a correction to the upside overnight. Chinese stocks could take years to recover from the latest slump. In any case, I think the selling is overdone and would encourage young, risk-tolerant, and long-term investors to consider nibbling on the ZCH while it attempts to finally put in a bottom in 2022.

When will Chinese stocks finally bottom? Nobody knows, but the risk/rewarrd seems solid here

More pain ahead? Perhaps. Volatility is the name of the game when investing in Chinese stocks. At the end of the day, though, I do think the risk/reward is good. And the ZCH is one of the best ways to play China's fallen technology giants.

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