



\$323 Billion ETF Industry Gives Confidence to New Investors

Description

The **Bank of Montreal**, through BMO Global Asset Management (BMO GAM), is one of the largest [exchange-traded fund](#) (ETF) providers on the TSX. BMO GAM is upbeat and looks forward to a better future in 2022. In 2021, the Canadian ETF industry posted record numbers for the second straight year. Total assets reached \$323 billion, while new net inflows were \$53 billion. The 202 new ETFs were also a record.

Mark Raes, Product Head at BMO GAM Canada, said, “ETFs have played an [important role in financial markets](#) with record growth and volume during a tumultuous year.” Another great feature is that ETFs provide efficient access and liquidity across both broad and precise exposures.

More importantly, the maturation of the ETF industry allows new investors to confidently enter the market, says Raes. Even if you focus on one asset manager like BMO GAM, the ETF offerings are plenty. You can match the risk ratings with your risk appetite. Note that the ETFs are also eligible investments in a TFSA and RRSP.

BMO Balanced ETF ([TSX:ZBAL](#)), **BMO Monthly ETF** ([TSX:ZMI](#)), and **BMO Covered Call Utilities ETF** ([TSX:ZUU](#)) are ideal for newbie investors because of their low-to-medium risk ratings.

Fund of funds

BMO Balanced ETF, or ZBAL, invests in global equity and fixed-income ETFs. The portfolio strategy of this “fund of funds” is to provide moderate long-term capital appreciation to investors. Apart from being a growth and income solution, the other benefit is the exposure to a diversified portfolio of fixed income and equity BMO ETFs.

There are 10 ETF holdings that invest in stocks (61.8%) and fixed-income assets (38.06%). If you invest today, ZBAL trades at \$36.36 per share and pays a 2.43% dividend. The asset manager rebalances the fund every quarter to strategic index asset allocation weights.

Balanced but high yield

Like ZBAL, BMO Monthly ETF, or ZMI, is a fund of funds. It invests in a diversified portfolio of fixed income and equity BMO ETFs. However, the salient feature is that ZMI aims to deliver the performance of an underlying basket of higher-yielding BMO ETFs.

If you're chasing after a high yield but balanced ETF, ZMI is right up your alley. BMO GAM ensures the holdings are weighted to emphasize yield. The investment in each of equity and fixed income is 50%, while the cap for each security is 20%. Rebalancing and reconstitution of the fund is semi-annual (July and January). The price is \$17.03, while the dividend yield is 3.89%.

Over-the-top payout

BMO Covered Call Utilities ETF, or ZWU, is a [wealth-builder](#). At only \$13.01 per share, the dividend offer is 7.41%. This fund (\$1.2 billion in net assets) provides exposure to an equal-weight portfolio of utilities, telecoms, and pipeline companies, while earning call option premiums.

For beginners unfamiliar with options, there's a learning curve. You write call options out of the money, select on the basis of implied volatility, and write in proportion to the securities weight. According to BMO GAM, call option writing reduces volatility.

Investment pitch

BMO GAM's pitch is that ETFs have combined the best of exchange trading with the benefits of pooled investment products. Most investors today include an ETF in portfolio construction for stability.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
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3. Msn
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