The Best ETF to Buy as a Risk-Averse Investor

Description

It's a hard time to be an investor, with recent market volatility spreading to other alternative assets. Though more rough times could be ahead, as central banks tighten further, I think investors should stay the course rather than looking to react.

Yes, it's a scary time, and it'd feel great to hit that buy button on certain stocks that have done nothing but trend lower in recent months. However, it's important to remember that timing the market is likelier to do more harm than good. The best up days tend to be in close proximity to the worst down days. It's hard to tell when stocks will bounce or if the move is sustainable.

Regardless, stocks have taken a brutal hit to the chin this year. Nobody knows when the pain will end, but the biggest risk for young, beginner investors, I believe, is panic-selling and missing out on a huge relief rally.

Risk-averse investors: Why panic-selling may not be a good idea

Undoubtedly, missing just a few big up days is enough to hurt your returns and set you back. While I wouldn't exhaust liquidity reserves as the S&P 500 looks to fall further into bear market territory (that's a 20% drop from the high), I would proceed forward with cautious optimism. That means being very selective and looking to avoid beta, rather than doubling down on it if you're a risk-averse investor who's content with a single-digit return for the year, as opposed to high double-digit returns many of us got used to in the back half of 2020 and 2021.

In this piece, we'll have a look at one ETF that's an easy way to play defence while continuing to get all the benefits out of the equity markets. In the face of recession, it can feel foolish (that's a lower-case *f*) to continue as planned. That's why defensive, lower-beta ETFs may be worth nibbling into with extra cash sitting on the sidelines.

The ZLB: The perfect fund for the cautious bulls

Currently, **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB) stands out as a great value for passive investors at these levels. It's not only rich with value stocks (the ZLB's P/E currently lies at 15.2), but it's also full of low-beta stocks that can help risk-averse investors deal with the recent uptick in volatility.

Lower beta does not necessarily mean lower returns. Versus the TSX Index, ZLB has done quite well. With a recession and a worsening of the market plunge in the cards for 2022 (and potentially 2023), a play like ZLB can help smoothen the road.

Year to date, ZLB has been quite flat, down around 3%. Though ZLB was dragged down during the April selloff, it's noteworthy that the decline was far milder than the plunge in the TSX Index, S&P 500, or Nasdaq 100.

With such a heavy weighting in utilities and consumer defensive stocks, ZLB is a great way to be cautiously bullish in a year that is sure to be full of surprises, both positive and negative. Currently, the ETF boasts an enviable five-star Morningstar overall rating, and for good reason.

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