



2 BMO ETFs Are Less Volatile Than BMO Stock

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) reported a 4.4% increase in adjusted net income in Q2 fiscal 2022 versus Q2 fiscal 2021. Canada's oldest bank also announced a 31% year-over-year increase in dividends that should make investors happy. However, the financial sector continues to underperform year to date (-6.64%).

BMO in particular is down 0.66% amid the challenging conditions. Meny Grauman, a member of **Scotiabank's** global equity research team that cover banks, noted the booking of \$50 million in provisions for bad loans. He said it ended the streak of three straight quarters when BMO freed up cash from reserves.

Currently, none of the Big Five bank stocks are in positive territory, which means the giant lenders aren't insulated from market risks. Interestingly, an [exchange-traded fund](#) (ETF) of BMO Global Asset Management (BGAM) is faring better than the bank stock itself. Another ETF from the same asset manager is a safer option for risk-averse or conservative investors.

Medium risk

BMO Global Infrastructure Index ETF ([TSX:ZGI](#)) carries a medium-risk rating, yet it remains stable, as evidenced by its 9.77% year-to-date gain. This ETF replicates the performance of the Dow Jones Brookfield Global Infrastructure North American Listed Index. BGAM invests in and holds the constituent securities of the index in the same proportion, as they are reflected in the Index.

Prospective investors would have exposure to diversified global infrastructure equities. According to BGAM, only companies with a minimum float-adjusted market capitalization of US\$500 million and a minimum three-month average daily trading volume of US\$1 million are eligible to be in the fund.

Moreover, the cash flows of more than 70% of the constituents comes from development, ownership, lease, concession, or management of infrastructure assets. As of May 25, 2022, the total net assets are worth \$527.55 million. U.S. stocks comprise 70.23% of the 46 stocks in the basket, while 21.99% are Canadian equities.

Regarding sector allocation, 35.62% of the companies are in the pipeline business, followed by electric (29.22%). Real estate investment trusts (REITs) round up the three leading sectors with 23.01%. **American Tower**, **Enbridge**, and **Crown Castle International** are the top three stocks.

ZGI trades at \$47.04 per share and pays a 2.91% dividend. Like the bank stock, the frequency of payout is quarterly.

Low to medium risk

BMO Low Volatility Canadian Equity ETF ([TSX:ZLB](#)) provides exposure to a low-beta-weighted portfolio of Canadian stocks. Beta measures a stock's sensitivity to market movements. BGAM selects from large-cap TSX stocks and uses a rules-based methodology when building a portfolio of less-market-sensitive stocks.

BGAM rebalances the portfolio every June and then conducts the reconstitution in December. Currently, the fund has 47 stocks that are 100% Canadian. The sectors with the most significant percentage weights are financial (21.58%), utilities (16.91%), and consumer staples (15.45%).

The top five holdings are **Hydro One**, **Fortis**, **Emera**, **Franco-Nevada**, and **Metro**. If you invest today, ZLB trades at \$40.03 per share and pays a decent 2.62%. The share price of BMO, the bank stock, is \$132.77, while the dividend offer is 4.19%.

Alternative options

Last year, total ETF assets reached \$300 billion. Canadians are fortunate because the asset class offers instant diversification to spread market risks. If you find BMO risky, consider the bank's low-volatile ETFs like ZGI and ZLB.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

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