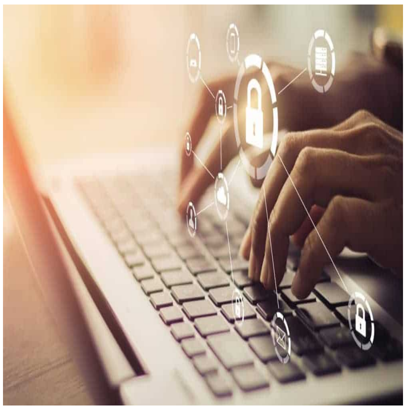

2 Technology ETFs to Buy in January

Description

Technology is a tricky thing. Technology companies can be trickier. Tech stocks have a higher capital burn rate to compensate for R&D. As a result, tech stocks have a higher price-to-earnings ratio.

That said, buying into tech stocks is needed in most portfolios in order to ensure higher-than-market-average returns.

Rather than sifting through the R&D reports of hundreds of companies, take a look at technology Exchange-Traded Funds (ETFs).

BMO Nasdaq 100 Hedged to CAD Index ETF (TSX:ZQQ) was launched in 2011. Since the ETF's inception, the ETF has witnessed a return of 16.16%.

I like this ETF because the ETF tracks the largest information technology players on the NASDAQ. You can save money from having to buy expensive tech stocks and skip to the good parts: receiving dividends.

Another advantage of buying this ETF is that you're exposed to U.S. blue-chip companies without having to worry about the currency risk.

The main holdings of the ETF include **Microsoft**, **Apple**, **Amazon**, **Alphabet**, **Facebook** and **Intel**. Which of these players will have the next big technology breakthrough that will earn them a billion dollars? Flip a coin. With this ETF, you'll have exposure to all of them.

With BMO Nasdaq 100 Hedged to CAD Index ETF, you'll be buying into this fund in Canadian dollars. Too many investors overlook the currency risk when buying into a foreign market. For the past 10 to 15 years, the Canadian dollar has been a petrodollar.

Amid the flatness of oil markets, the Canadian dollar is struggling, and with that comes increased risk. Buy in Canadian dollars as much as you can.

If you're looking for something with higher risk, I suggest **iShares S&P/TSX Capped Information Technology Index ETF**

(TSX:XIT).

This ETF was established in 2001 and recorded a year-to-date return of 57.69%. Since the fund's inception, the ETF has generated slightly more than a five percent return.

While this figure may seem weak to you, this ETF has endured 20 years. The ETF was founded after the dot-com bubble burst, survived the Great Recession of 2008 and persevered through a decade that has witnessed flat growth in many sectors. Buy into the lows and hold it.

This ETF is considered medium to high risk because the ETF skews towards companies that are heavy on R&D such as **Shopify**, **BlackBerry** and **Constellation Software**.

Spreading the risk across these large companies is important, and this ETF allows investors to hedge in the innovation game.

It's worth pointing out that the iShares S&P/TSX Capped Information Technology Index ETF also plays the spread in terms of technology companies.

There's a mix of application software companies, internet services and infrastructure companies, and IT consulting companies.

Those three clusters of companies compose 90% of the ETF's holdings; they're an interesting way of playing the spectrum of innovation.

Sometimes it's hardware that makes the breakthrough (cell phone); at other times, it's the software (opening up the platform of a cell to allow for apps (see **Apple**), and sometimes it's the infrastructure (see 5G infrastructure).

The distribution of risk in this ETF stems from the various categories of technology companies and the protection from foreign currency exposure. We're almost certainly heading into a recession.

You should pay attention to currency risks in all of your investments. Whenever you can buy foreign blue-chip companies in Canadian dollars, take a closer look.

This ETF allows for some excellent years of growth. Within the past year, the ETF has had a 51% total return. It's the nature of technology: some years are feasts, and others are famine. Hedge your bets and buy into the ETF to split the difference.

CATEGORY

1. Tech Stocks

POST TAG

1. technology
2. technology stocks

TICKERS GLOBAL

1. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

2. TSX:ZQQ (Bmo Nasdaq 100 Equity Hedged To Cad Index ETF)

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