



Follow Warren Buffett and Buy These 2 Index Funds

Description

When the world's greatest investor gives out advice, you need to follow it to benefit. Warren Buffett is considered to be among the world's top investors and has created massive wealth over the years. The Oracle of Omaha believes equity markets are the best investment vehicle for most people due to their stellar record over the years.

Warren Buffett had famously stated, "Be fearful when others are greedy and be greedy when others are fearful." The coronavirus has wreaked havoc across global equity markets, which have wiped off trillions of dollars. But this bear market also provides an opportunity to buy stocks at attractive prices.

Buffett is a value investor, which means he identifies stocks that have strong fundamentals, robust cash flows, and that are trading at a discount to their intrinsic value. It is difficult to identify value stocks in a market that is swinging wildly each day. What might seem like a value buy might actually be a trap. A high-dividend-yielding stock might look attractive today, only for investors to find out that the company has slashed its dividend. So, where do you park your funds in such a volatile market?

Warren Buffett has always advised [investing in index funds](#) for passive investors who don't have the time or expertise to buy individual stocks. An ideal index fund provides diversification and liquidity for investors.

We'll look at two such funds for the Canadian investor.

iShares S&P/TSX 60 Index ETF

For investors who want exposure to Canadian stocks can look to invest in the **iShares S&P/TSX 60 Index ETF (TSX:XIU)**. This fund has exposure to Canada's top large-cap stocks. It is the largest and most liquid ETF in the country.

The top five holdings of the fund include **Royal Bank of Canada, Toronto-Dominion Bank, Enbridge, Canadian National Railway, and Shopify**; they account for 8.1%, 7.1%, 5.5%, 5.4%, and 4.5%, respectively, of the ETF, according to Blackrock.

In terms of exposure, the financial sector accounts for 34.1% of XIU, followed by energy, materials, industrials, and information technology at 14.1%, 12.2%, 11.6%, and 8.5%, respectively.

The XIU ETF is currently trading at \$20.1, which is 25.6% below its record high. This decline has increased the dividend yield to a healthy 3.42%. Tax-Free Savings Account investors who can allocate a maximum of \$69,500 in XIU will generate close to \$2,400 in annual dividends, though it's important to diversify and not put all your money into one stock.

Warren Buffett is bullish on the S&P 500

Warren Buffett has always remained bullish on the **S&P 500**, which means that Canadian investors can look to buy the **iShares Core S&P 500 Index ETF (CAD-Hedged)** for their portfolios. This will give them exposure to the top 500 companies in the United States, including tech giants such as **Apple, Amazon, Netflix, Alphabet, Facebook, and Microsoft**.

The ETF seeks to replicate the performance of the S&P 500 but is hedged to the Canadian dollar, which removes the risk from currency volatility.

Index funds are a powerful tool for passive investors that can create substantial wealth. You need to be disciplined and view every market correction or pullback as a buying opportunity, as it is impossible to time the market.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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1. Business Insider
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