1 Key Growth Stock to Invest Outside Canada in Q3 2021

Description

The Canadian stock market is dominated by the financials (about 35%), energy (14%), and information technology (13%) sectors. So, Canadian investors might have overconcentration in financials such as banks and insurance stocks for their portfolios.

For instance, Canadian investors may have a big percentage in big banks like **Royal Bank of Canada** and **Bank of Montreal**. Indeed, it's not unheard of for folks to own more than 25% of their stock portfolios in the big banks, because the banks have been stable performers and dividend payers in the long run.

If you do have more than 25% of your portfolio in the banks, you should consider diversifying some of the capital to other areas. Long-term investors should probably allocate a meaningful portion of their portfolios in growth stocks for extraordinary total return prospects.

If you're seeking total returns, consider exploring one key growth exchange-traded fund (ETF), **KraneShares CSI China Internet ETF** (NYSEARCA:KWEB), today. The ETF provides exposure to internet and internet-related companies in China. It includes the Chinese versions of **Amazon**, **Facebook**, Google, and more.

If you missed the early stages of growth in these superb U.S. growth stocks, you can consider investing in this Chinese ETF to gain exposure to the higher-growth emerging market.

The KWEB ETF has corrected about 40% from its all-time high set early this year. The latest pressure came from the Chinese government enforcing stricter rules on anti-monopoly regulations in the Chinese internet sector with fines that are manageable by large companies like **Alibaba** and **Tencent**.

For example, in April, Alibaba was fined $18.3 billion RMB, which was about 2.6% of its last-12-month revenue, or approximately 12% of its LTM net income.

The government regulation volatility will probably never go away entirely. That said, the massive pullback in the sector provides a buying opportunity in the growth ETF.

KWEB ETF’s top 10 holdings

KWEB ETF’s top 10 holdings include Tencent (about 10%), Alibaba, (9%), **Meituan** (8%), **Pinduoduo** (7%), **JD.com** (6%), **NetEase** (4%), **KE Holdings** (4%), **Trip.com** (4%), **Bilibili** (4%), and **Baidu** (4%). The ETF is highly liquid with an average volume of 3.8 million. It is much more liquid than some of its holdings like Meituan, which has an average volume of about 64,000. KWEB ETF has an operating expense fee of about 0.73% per year, which is not a high cost.

Tencent is a diversified social media, online and mobile games, online advertising, and fintech and business services company. Alibaba is similar to Amazon. Meituan is a web-based shopping platform for local consumer products and retail services, including providing deals for local services, entertainment, dining, and delivery. Pinduoduo and JD are smaller competitors of Alibaba. NetEase provides online and mobile games and online education. Its other businesses include music, email, etc.

KE Holdings provides real estate services. Trip.com is similar to **Booking**. Bilibili is a video platform like Youtube. Baidu resembles Google in some ways.

The Foolish investor takeaway

Canadian investors should diversify outside of Canada. The U.S. and China are good places to diversify into. Right now, you can consider investing opportunistically in the Chinese internet sector through the KWEB ETF after a substantial correction of 40%, or strategically invest in your favourite Chinese internet growth stocks among the ETF holdings. This move could lead to outsized price appreciation over the medium to long term, which can fast-track your retirement plan.

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