3 Top Defensive ETFs to Buy Before 2022

Description

The **S&P/TSX Composite Index** delivered another triple-digit gain on December 22. Canadian stocks have broadly bounced back after struggling with volatility for most of this month. However, investors should not get ready to breathe easy just yet. The Omicron COVID-19 variant still threatens to disrupt a promising economic recovery. Today, I want to look at three exchange-traded funds (ETFs) that investors can hold for their defensive capabilities. Let's dive in.

Why this healthcare-focused ETF offers nice protection right now

Earlier this month, I'd looked at some top healthcare stocks that were worth holding in the face of the rising Omicron variant. The healthcare sector already looked strong coming into this decade.

BMO Equal Weight US Health Care ETF (TSX:ZHU) aims to replicate the performance of the Solactive Equal Weight US Health Care Index Canadian Dollar Hedged. It holds securities of companies that fall within the healthcare super sector. Shares of this healthcare ETF have climbed 16% in 2021 as of close on December 22. This ETF has a solid MER of 0.39% that should not deter prospective buyers.

Pfizer, which has emerged as a dominant player in producing COVID-19 vaccines, is the second-largest weighting in this ETF. It also offers exposure to dependable healthcare giants like **Centene**, **Anthem**, and **UnitedHealth Group**.

Here's a defensive play that provides global diversification

Investors looking to go on the defensive ahead of the new year may want to consider seekingexposure to international equities. A well-diversified portfolio can protect you from major volatility. Thatis why investors may want to consider snatching up the **Fidelity International High Quality ETF**(TSX:FCIQ).

This ETF offers single-factor exposure to companies with strong balance sheets and cash flows in comparison to the broader international equity market. Shares of this ETF have increased 5.1% in the year-to-date period. However, its shares took a major hit in late September. Fortunately, it has bounced back nicely in the months that have followed.

Some of the top holdings in this ETF include giants like **Keyence**, **Sony**, **Nintendo**, and **AstraZeneca**. However, some investors may be put off by its sky-high MER of 1.86%. Fortunately, it does offer a solid semi-annual dividend payout.

One more defensive ETF to snatch up ahead of the new year

BMO Low Volatility Canadian Equity ETF (TSX:ZLB) is the third defensive ETF I'd look to target in this uncertain climate. This ETF uses a rules-based methodology to build a portfolio of less market-sensitive stocks from a universe of Canadian large-cap stocks. Shares of this ETF have climbed 19% in 2021. The ETF has increased 4.2% over the past six months, and it was able to thrive after the late November market dip.

This fund does possess a relatively high MER of 1.44%, so investors are paying for the security. However, it also offers a solid quarterly distribution of $0.25 per share. That represents a 2.3% yield.

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