



## The 3 Best ETFs for Energy Companies in Canada

### Description

Energy was the [top performer](#) among TSX's 11 primary sectors in 2021. The majority of beaten-down stocks in 2020 have recovered thanks to rising crude prices. On the [exchange-traded fund](#) (ETF) side, the funds that track Canada's energy sector were also the big winners last year.

Suppose you want to invest in ETFs for energy companies in Canada this year. In that case, **iShares S&P/TSX Capped Energy ETF** ([TSX:XEG](#)), **Horizons S&P/TSX Capped Energy ETF** ([TSX:HXE](#)), and **Horizon Enhanced Income Energy ETF** (TSX:HEE) are the best choices. All three mirrored the energy sector's 2021 performance and delivered more than 80% gains for the year.

### ETF winner

Last year, the top-performing ETF was iShares S&P/TSX Capped Energy ETF, or XEG, with a total return of 82.81%. This ETF seeks long-term capital growth by replicating the S&P/TSX Capped Energy Index's (net of expenses) performance. The assets in the portfolio are Canadian equities.

As of January 6, 2022, XEG has 22 [energy stocks](#). The top five holdings are **Canadian Natural Resources**, **Suncor Energy**, **Cenovus Energy**, **Tourmaline Oil**, and **Imperial Oil**. According to fund manager BlackRock, the ETF's targeted exposure is to companies in the Canadian energy sector. Moreover, XEG expresses a sector view.

The ETF weighs heavily on oil & gas exploration & production (56.06%) and integrated oil & gas (43.12%) regarding exposure breakdown. XEG's share price today is \$11.47, while the dividend yield is a modest 1.5%.

### ETF advantage

Horizons S&P/TSX Capped Energy ETF, or HXE, was the second best in 2021, with its total return of 81.48%. The investment manager for this ETF is Horizons ETFs Management (Canada) Inc. HXE seeks to replicate, to the extent possible, the performance of the S&P/TSX Capped Energy Index

(Total Return), minus expenses.

The said index measures the performance of Canadian energy sector equity securities that belong in the S&P/TSX Composite Index. As of January 7, 2022, the value of the net assets is \$67,392,095. For \$21.20 per share, the investment manager says prospective investors get the ETF advantage.

## Exposure to the largest energy stocks

Horizon Enhanced Income Energy ETF, or HEE, has the same investment manager as HXE. However, the investment objective of this ETF is to provide unitholders with exposure to the performance of an equal-weighted portfolio of Canadian companies.

A key feature of this ETF is direct exposure to some of the largest and most liquid energy stocks in Canada. However, the investment manager reminds investors that the energy sector has historically had higher implied volatility than the broad stock market. Thus, the sector could potentially generate higher yields or experience sharp declines.

HEE mitigates the downside risk and generates income by writing covered-call options on 100% of the portfolio securities. The level of call option writing varies, depending on market volatility and other factors. Also, HEE rebalances the portfolio on an equal weight basis.

Investors were happy with the 81.46% overall return in 2021. As of January 7, 2022, the ETF's net assets stand at \$30,565,019. At only \$9.82 per share, you can partake of the 3.54% dividend yield.

## Repeat performance

If oil prices stay high and natural gas continues to hit record highs in 2022, the energy sector could repeat its sterling performance last year. ETFs tracking the performance of Canada's energy sector could deliver outsized returns again.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:XEG (iShares S&P/TSX Capped Energy Index ETF)

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