



The 3 Best ETFs to Buy in January 2022

Description

The year 2022 started on a bearish note for tech stocks and a bullish note for energy stocks. You can play these trends and buy exciting stocks at a discount this January. The Canada Revenue Agency (CRA) has set the Tax-Free Savings Account (TFSA) limit at \$6,000 for 2022. While there is a boatload of individual stocks to invest in, they come with their risks. You can mitigate the risk of individual stocks by diversifying your portfolio between several [types of stocks](#), across asset classes, sectors, indexes, and even countries through ETFs.

Investing in January

Here are three ETFs I believe could deliver strong returns in 2022.

- **TD Global Technology Leaders Index ETF** ([TSX:TEC](#))
- **Vanguard FTSE Canada All Cap Index ETF** ([TSX:VCN](#))
- **iShares S&P/TSX Capped REIT Index ETF** ([TSX:XRE](#))

TD Global Technology Leaders Index ETF

I like this ETF, as it not just invests in large-cap tech stocks but also in mid-cap tech stocks. It is the mid cap where the real capital appreciation lies, as tech stocks grow when they are scaling. The TD Global Technology Leaders Index ETF invests 84% in U.S. tech stocks, as the U.S. is the hub of technology, and 13.5% in international tech stocks. Some of its largest holdings are in **Apple**, **Microsoft**, and **Tesla**. Since its inception in May 2019, it has converted \$2,000 into \$4,270, representing total return of 113%.

The ETF surged only 19% in 2021, as the global tech sector is seeing a [correction](#). This is a good time to buy a high-growth ETF at a discount. The 2030 decade will see the proliferation of 5G, autonomous vehicles, robots, and metaverse, and this ETF will stand to benefit from this growth. It is slightly expensive with a management expense ratio (MER) of 0.39%, but it is a cheap price for international exposure.

Vanguard FTSE Canada All Cap Index ETF

The tech sector is volatile and largely known for capital appreciation. A well-diversified portfolio has exposure to all aspects of the economy. For instance, energy was a clear [winner in 2021](#) as pent-up oil demand created a supply shortage. Canada benefited thanks to its fourth-largest oil sands reserves.

The Vanguard FTSE Canada All Cap Index ETF invests in stocks of all sizes. Spanning across 183 stocks, the ETF gives you complete exposure to the Canadian market. Financials, energy, tech, and base materials are the four sectors where the ETF has 70% of its holdings. Some of its largest holdings are **Shopify**, **Royal Bank of Canada**, and **Enbridge**. This ETF benefitted from Shopify's 170% rally in 2020 and Enbridge's 21% rally in 2021. In the last five years, the ETF has converted \$2,000 into \$3,170, representing a total return of 58.6%.

The Vanguard FTSE Canada All Cap Index ETF is relatively less expensive, with an MER of 0.05%.

iShares S&P/TSX Capped REIT Index ETF

After gaining exposure to all types of equity, it's time to move to another asset class. I am not a big fan of gold, as it mostly surges during crises and crypto is pretty volatile. But real estate is a stable asset class that gives you regular cash flow through rent and tends to appreciate in value. In Canada, the Greater Toronto Area is hot, and property prices are sky high. Most REITs have built properties in that area and are drawing heavy rent.

iShares S&P/TSX Capped REIT Index ETF has exposure to 20 REITs that have a diverse portfolio of residential, commercial, industrial, healthcare, and retail properties. 2021 was a year of recovery for real estate. The ETF surged 27% last year, outperforming the above two ETFs. That is the role of a different asset class that is not influenced by factors that affect the stock market. Hence, they tend to outperform when equity underperforms, balancing your portfolio returns.

In the last five years, the REIT ETF converted \$2,000 into \$3,200, representing a total return of 60%. As for the expenses, it is the most expensive, with an MER of 0.61%.

CATEGORY

1. Investing
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TICKERS GLOBAL

1. TSX:TEC (TD Global Technology Leaders Index ETF)
2. TSX:VCN (Vanguard FTSE Canada All Cap Index ETF)

3. TSX:XRE (iShares S&P/TSX Capped REIT Index ETF)

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