



3 Buy and Forget ETFs for 2022

Description

ETFs have done a great job of replacing mutual funds. Thanks to their simplicity and, more importantly, low fees, they appeal to many retail investors the way mutual funds never could. That's especially true for investors that create and manage their investment portfolios themselves. ETFs are inherently diversified, even if they lean heavily towards one specific sector (different assets within the sector).

And if you want to start creating an ETF portfolio in 2022 or wish to add the right funds to an existing portfolio, there are three ETFs that you should look into.

A financial sector ETF

iShares S&P/TSX Capped Financials Index ETF ([TSX:XFN](#)) from Blackrock follows the financial index quite faithfully. The financial sector is the heavyweight of the Canadian stock market, and the top 28 holdings in the sector (that make up the fund) carry most of the weight. The ETF comes with a medium-risk indication, which given the historical stability of the Canadian financial sector (especially the banks), seems quite accurate.

In the last decade, the ETF has returned about 226% to its investors, which is slightly lower than the underlying index but not enough to disregard the ETF entirely. And even though the last year's returns have been quite phenomenal compared to its former returns, this ETF is likely to serve you best as a long-term holding, ideally for multiple decades.

The current distribution yield of 2.8% is quite adequate. However, the 0.61% MER might be more than what many ETF investors are comfortable with.

A growth-oriented ETF

Growth should be a necessary ingredient in all investment portfolios, even heavily dividend-leaning ones. And if you are worried about the risk that growth stocks carry, you can mitigate it by investing in a diversified growth ETF like **Vanguard Growth ETF Portfolio** ([TSX:VGRO](#)). The portfolio is made up

of seven [index ETFs](#), with the largest exposure to the U.S. and Canadian broad market.

This might be considered overdiversification, and it reflects in the ETF's performance in the last five years. \$10,000 invested in the fund exactly five years ago would have grown to about \$14,300 by now. That's slow but relatively reliable growth that is likely to be accelerated by economic acceleration, primarily in the North American market. The safety this broad spectrum ETF offers nicely balances out the slow growth, and the low 0.24% MER is a plus as well.

A clean energy ETF

Thanks to new regulations and a major shift in consumer attitude, [clean energy](#) will be more relevant in 2022 than it was last year. This makes an ETF like **BMO Clean Energy Index ETF** ([TSX:ZCLN](#)) a smart buy. It's a relatively small ETF so far, but that can be attributed to the fact that it's quite young. It was created about a year ago, and since its inception, it has mostly gone downhill.

It also carries a high-risk rating, so neither performance nor the risk rating makes it an alluring buy. The MER is also on a slightly higher side (0.4%). But if you look at the holdings and the potential they offer/promise in the future, the fund will seem quite attractive. It's made up of clean energy companies from multiple countries, and the top 10 holdings include one British, one Portuguese, one Spanish, two Danish, and five U.S. companies.

The diversification and the global spread ensure that the fund has the potential to offer great returns, as green energy gains momentum around the globe during 2022 and beyond.

Foolish takeaway

[Investing in an ETF](#) is a buy-and-forget method for most investors, thanks to its inherent diversification, but as the above ETFs indicate, not all funds are equally diversified. The best-performing fund by far is the one that's focused solely on the Canadian financial sector, and the worst-performing one is the most geographically diversified. So, keep all these factors in mind before committing a hefty amount of your capital to an ETF.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:VGRO (Vanguard Growth ETF Portfolio)
2. TSX:XFN (iShares S&P/TSX Capped Financials Index ETF)

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