



## 3 of the Best ETFs to Buy for Exposure Outside Canada

### Description

We all know [diversification](#) is crucial. It's essential to buy several of the best stocks and ETFs in Canada in order to mitigate risk. But buying stocks across Canada may still not be enough diversification.

It's also crucial to have exposure to investments outside the country as well. There are periods of time when Canadian markets can underperform the U.S., the rest of the world, or both.

For example, from 2015 to the start of the pandemic, the **S&P 500** roughly tripled the performance of the **TSX**.

So if you're over-exposed to Canada, and looking to gain exposure to stocks in the U.S. as well as other parts of the world, here are three of the best ETFs to buy today.

### A top low-cost index fund

One of the easiest ways to invest is to buy a low-cost index fund. This is a strategy that's been recommended to retail investors several times by [Warren Buffett](#). And while there are several index funds to choose from, including some in Canada, Buffett's personal preference is a fund that offers exposure to the S&P 500, such as the **iShares Core S&P 500 Index ETF (CAD-Hedged)** ([TSX:XSP](#)).

Owning an S&P 500 ETF not only gets you the exposure you're looking for outside of Canada, but it offers exposure to some of the best and fastest-growing stocks in the United States.

In just the last five years, the XSP ETF has earned investors a total return of 87%. That's not just impressive. It also outpaced the TSX considerably, with the TSX only earning investors a total return of 33% through that time.

And in addition to the capital gains potential, the XSP also pays a distribution with a current yield of just over 1%. So if you're looking for exposure outside of Canada, the XSP is one of the best ETFs to buy today.

## An all-world ETF

If you're looking for more exposure around the world outside of just the U.S., one of the best funds to buy is the **iShares Core MSCI AC World ex Canada Index ETF** ([TSX:XAW](#)).

The fund seeks to replicate the performance of the world index, which offers exposure to large- and mid-cap representation across 22 of 23 developed markets countries. The fund is still 60% allocated to the U.S, though. So while you have exposure to the most powerful economy in the world, you can also benefit from growth in other developed nations.

In total, the ETF offers exposure to thousands of stocks and has a current yield of 2.4%, offering attractive passive income.

The fund has had a strong performance over the last five years with an 11.7% average annual return. And since its inception in February 2015, that annual return has been over 10.1%. So with the fund charging a management expense ratio of just 0.22%, it's one of the best ETFs to buy now.

## One of the best emerging markets ETFs to buy now

Another option you can consider outside Canada and even the U.S. is an emerging markets fund such as the **iShares Core MSCI Emerging Markets IMI Index ETF** ([TSX:XEC](#)).

The MSCI Emerging Markets Investable Market Index offers exposure to large-, mid-, and small-cap stocks across 25 emerging markets countries. The fund offers the most exposure to countries like China, Taiwan, India, and South Korea, which make up over 70% of the portfolio. Investing in emerging markets can have a tonne of benefits, especially long-term growth potential.

Right now XEC offers investors exposure to over 2,500 underlying stocks in its portfolio and has earned a 7.5% average annual return over the last five years. In addition, the fund's portfolio has a price-to-earnings ratio of 17 times and offers a current distribution yield of 4.4%.

So if you're looking for a high-quality investment that you can buy and hold for years, this emerging markets ETF is one of the best to buy now.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:XAW (iShares Core MSCI All Country World ex Canada Index ETF)
2. TSX:XEC (iShares Core MSCI Emerging Markets IMI Index ETF)

3. TSX:XSP (iShares Core S&P 500 Index ETF (CAD-Hedged))

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