2 Sustainable ETFs to Buy in 2022

Description

Many investors are focusing on responsible investing, a trend that has triggered a positive change and forced companies to become more transparent about their carbon footprint, decision-making process, diversity in the workforce, etc.

If you want to raise the ESG profile of your portfolio, chasing down individual stocks may be a relatively difficult endeavour, especially since there is no standardized process of ESG evaluation of a business (it's still a work in progress). But there are certain ETFs that can help you achieve that goal by taking most of the legwork out of the process.

A leadership-oriented fund

BMO Women In Leadership Fund (TSX:WOMN), as the name suggests, is an ETF that focuses on businesses with female leaders (in North America). This is defined as a female CEO spearheading operations or having 25% or more representation in the company board. There are 36 companies in the fund, and there are three Canadian banks among the top 10.

There are some prominent U.S. names as well, including **Microsoft**, **Amazon**, and **Visa**. The fund is quite neatly divided between securities from the two countries.

As for the performance, the stock has been doing quite well for the last three years. If you had invested $10,000 in it about three years ago, it would have grown to over $14,000 by now, which is decent growth for an ETF. It also makes annual distributions, though the yield is relatively low.

A broad-spectrum ESG ETF

Blackrock's **iShares Jantzi Social Index ETF** (TSX:XEN) follows the index of the same name. The index follows a set of 50 Canadian companies based on certain ESG criteria, and for most of the last two decades, the index has performed well. It stuck close to the S&P/TSX Composite most of the time and often outperformed the market.

The fund follows the benchmark quite loyally. The top six companies in the index that make up almost 50% of the index's weight include three of the largest banks, the railway and telecom giant of Canada (by market cap), and **Canadian Natural Resources**

Since it's made up mostly of the top dogs in their respective industries, the fund has performed quite well. Its annualized growth rate has been 9% for the past decade, which means the fund could double your capital in about 12 years while raising your portfolio's ESG profile right now.

Foolish takeaway

The two ETFs and their impressive performances indicate that ESG investing is not necessarily all about the cause and responsible investing practices. It can also be an intelligent financial choice. The more investors move towards good ESG businesses, the higher the stocks of those businesses are likely to rise, and staying ahead of this curve can pay off huge in the coming years.

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