



Big Tech Invasion: FANG+MA Arrives on the TSX

Description

Canadians can invest in U.S. stocks and be free of taxes provided they hold the assets in their Registered Retirement Savings Plans (RRSPs). For those who want exposure to the American tech titans, a new [exchange-traded fund](#) (ETF) is available on the TSX.

Evolve Enhanced FANGMA Index ETF (TSX:TECE) began trading on the local bourse on March 2, 2022. Investors will have exposure to **Facebook**, **Apple**, **Netflix**, Google (**Alphabet**), **Microsoft**, and **Amazon** in one basket. The fund seeks to replicate the performance of the Solactive FANGMA Equal Weight Index Canadian Dollar Hedged (FANGMA Index). The share price is \$9.75.

The Big Tech ETF will compete with TSX's top [tech ETF](#), BlackRock's **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)) for investors' attention. Also, the newly arrived shouldn't be confused with **Toronto Dominion Bank's TD Global Technology Leaders Index ETF** ([TSX:TEC](#)).

Raj Lala, Evolve's president and CEO, said FANGMA stocks have been significant contributors to market returns. The tech titans have likewise delivered consistent earnings in recent years. On the TSX, technology is the worst-performing sector (-22.33%) year to date. The NASDAQ is also in negative territory (-17.81%) thus far in 2022.

Most popular tech ETF

BlackRock's iShares S&P/TSX Capped Information Technology Index ETF is the most popular tech ETF on the TSX. The target exposure is Canada's tech firms. It aims to deliver long-term capital growth by replicate the S&P/TSX Capped Information Technology Index's performance.

The portfolio holds 24 TSX stocks, including Canada's tech heavyweights [Shopify](#), **Constellation Software**, **CGI Inc.**, and **Open Text**. Also, XIT's risk-rating is medium to high. While the ETF is down - 21.6% year to date (\$40.61), the total return in the last 3.01 years is a decent 85.85% (22.88% CAGR).

As of March 2, 2022, XIT's net assets are worth \$474.55 million. Application software companies

(48.36%) have the most percentage weight followed by internet services & infrastructure (26.16%) and IT consulting & other services (15.9%). BlackRock rebalances the portfolio every quarter.

Similar to FANGMA ETF

TD Global Technology Leaders Index ETF seeks to track the global equity index's performance, and the focus is on mid- to large-cap technology companies. TEC is somewhat similar to TECE because the 279 holdings include shares of the tech titans except Facebook.

The sector mix is not exclusively technology (70.9%). TEC has investments in sectors such as consumer services (9.9%), consumer goods (5.4%), and financial services. Regarding the fund's geography, the U.S. has the highest percentage (85.5%), followed by the European Union (6.9%), and Japan (4.4%). Canada's representation is only 1.2%.

TD Asset Management maintains proportionate sharing or sampling of the constituent securities of the applicable index. The current benchmark today is the SolativeGlobal Technology Leaders Index. TEC sometimes hold cash and cash equivalents to meet the fund's obligations.

Performance-wise, TEC's total return in 2.82 years is 76.8% (22.4% CAGR). At \$26.30 per share, the ETF underperforms with its 14% year-to-date loss. This ETF mirrors the tech sector's performance. The overall return in 2020 was 47.56%, then reduced to 25.15% in 2021.

No traction yet

Investors' reception to the FANG+MA ETF is still undeterminable. The take up or volume might be pretty small compared with XIT and TEC. Also, it won't gain traction unless the technology sector rebounds from its present slump.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:TEC (TD Global Technology Leaders Index ETF)
2. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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Date

2025/09/28

Date Created

2022/03/05

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