Canadians: 2 Oil & Gas ETFs for Passive Income

Description

Energy stocks are on fire right now.

As you may have noticed the last time you went to gas up your car, gasoline prices are soaring. Due to the post-COVID economic recovery and the situation in Ukraine, oil prices are up. And thanks to the bullishness in crude oil, Canada's biggest energy stocks are going through the roof. So far this year, Canadian energy stocks have risen about 32%. That's in contrast to the broader TSX, which is down so far this year, and tech stocks, which are down even more than that.

If you're watching all of this, you may be interested in grabbing a piece of the action. Not only are energy stocks up this year, but they also have high dividend yields. If oil prices remain high, then energy stocks could deliver both dividends and capital gains in 2022. If that's something that sounds interesting to you, read on, because in this article, I'm going to explore two energy ETFs that could add some much-needed alpha to your portfolio in 2022.

Equal Weight Energy ETF

BMO S&P/TSX Equal Weight Energy ETF (TSX:ZEO) is an equal weight energy ETF offered by **BMO**. Equal weighting means that all of the stocks in the portfolio are held in the same proportion. If you have a $20 portfolio of four stocks that's equally weighted, it means you have $5 invested in each of them. This weighting scheme ensures that no one stock makes up an overly large percentage of the portfolio. In other words, it reduces your concentration risk.

If we look at the kinds of stocks that make up ZEO's portfolio, we see a lot of holdings like these:

- Integrated energy companies
- Midstream/pipeline companies
- Natural gas utilities
- Cash

All of the above categories of stocks are doing well this year. And with ZEO, you get exposure to a decently sized collection of them in an equally weighted package. In exchange, you pay the fund's managers a 0.55% management fee, which isn't all that high, all things considered.

Crude Oil ETF

Horizons Crude Oil Energy ETF (TSX:HUC) is another TSX energy fund. This one invests in oil futures rather than energy stocks. It aims to deliver the same performance as the Solactive Light Sweet Crude Oil Winter MD Rolling Futures Index ER. That's an index of crude oil futures.

HUC invests in oil futures with the goal of replicating this index's performance. In exchange, you pay the fund's managers a 0.76% annual fee. That's a fairly steep fee, but HUC has the benefit of being a pure-play oil price ETF. Instead of having your investment depend on a company and all of the complexities (costs, taxes, potential lawsuits) that involves, you get a pure bet on oil prices with HUC. That's a much simpler way to play the oil price rally that's going on right now.

If the oil rally ends, then this fund will not do very well. But it's one way to get extra oil exposure into your portfolio should that be a priority for you this year.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:HUC (Horizons Crude Oil ETF)
2. TSX:ZEO (BMO Equal Weight Oil & Gas Index ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. andrewbutton
2. kduncombe

Category

1. Energy Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/21
Date Created
2022/03/11
Author
andrewbutton