



My Top 3 ETFs for March 2022

Description

Every crisis impacts the stock market in some way. For instance, the pandemic impacted real estate, tourism, and airline stocks but came as a boon to [tech stocks](#). The Russia-Ukraine war has impacted all other stocks, except metals, oil, and gas. In his +70years of investing experience, [Warren Buffett](#) experienced World War II and many other crises. And he has been an advocate of [index fund ETFs](#).

Why does Warren Buffett like index funds?

Never once in his investing experience did Buffett lose confidence in index funds. His reasoning is simple. No matter what the crisis was, America prevailed.

Every crisis brought a set of challenges, and only those stocks that withstood the impact remained in the index. You can think of index funds as a constellation of the survivors. It is only in difficult times management's skills are tested. In Buffett's [words](#), the biggest benefit of index funds is that "you didn't have to pick out winning stocks."

The importance of cost in index fund investing

Now, Buffett has stressed low-cost funds, because the management expense ratio (MER) can eat up on your returns. The biggest component of MER is the fund manager fees, and they charge a bomb.

Moreover, MER is deducted from your net asset value every year. For instance, let's say you invest \$1,000 each in two ETFs, one with 0.5% MER and one with 1% MER. Both the ETFs converted \$1,000 into \$1,300 in a year. For the first ETF, MER of \$6.5 will reduce your value to \$1,293.5. For the second ETF, MER of \$13 will reduce your value to \$1,287. A \$6.5 gap may look small, but there are other charges, like brokerage and exchange fees.

Three ETFs to buy in March 2022

- **iShares Core S&P 500 Index ETF (CAD-Hedged) (TSX:XSP)**: MER of 0.10%
- **Horizons S&P/TSX 60 Index ETF (TSX:HXT)**: MER of 0.04%
- **iShares S&P/TSX Capped Information Technology Index ETF (TSX:XIT)**: MER of 0.61%

S&P 500 Index ETF

The XSP ETF tracks the S&P 500 index by investing in iShares Core S&P 500 ETF and currency derivatives to hedge against CAD-USD exchange rate fluctuations. The underlying ETF has 22% holdings in **Apple**, **Microsoft**, **Amazon**, **Alphabet**, and **Tesla**. It also has holdings in other big names across different sectors. The ETF has a tracking error of less than 1% and an MER of 0.10%.

The S&P 500 index has dipped more than 10% year to date due to the war, rising inflation, and fears of an interest rate hike. This is a good time to buy the dip. The index has rebounded sharply after every crisis: it jumped 50% within a year after the financial crisis, 30% after the 2018 U.S.-China trade war, and 70% after the 2020 pandemic.

TSX 60 ETF

While betting on America, don't forget to bet on Canada. Horizons S&P/TSX 60 Index ETF has its holding in 60 TSX stocks that represent more than 85% of the TSX market cap. It has 24% holdings in the top four Canadian banks and significant exposure to energy and materials. The ETF has a tracking error of less than 0.5% and a 0.04% MER, which is cheap.

In the Ukraine-Russia war, energy and materials stocks flourished. This is because Russia has some of the world's largest reserves of oil and uranium. Hence, the TSX 60 index [surged](#) 4.26% after the war began.

The Canadian tech ETF

Unlike the S&P 500 index, the TSX 60 index does not have significant exposure to tech stocks. Canada's tech sector is emerging, hosting popular names like **Shopify** and **Hive Blockchain**. The XIT ETF has holdings in 22 TSX tech stocks. It has a tracking error of over 1% and a high MER of 0.61%. Despite this, the ETF is a good way to get exposure to high-growth tech stocks.

The rising inflation and the war have [wiped away pandemic gains](#) for most tech stocks. This is a good time to buy the dip as the selloff has corrected overvalued stocks.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:HXT (Horizons S&p/tsx 60 Index ETF)
2. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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

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