2 Cheap Technology ETFs to Buy in 2022

Description

It’s no secret the markets have been choppy lately. The high-flying tech stocks of the COVID-19 pandemic have crashed from from all-time highs, the **NASDAQ 100 Index** entered into a bear market, and more volatility appears to be on the horizon, at least for the foreseeable future.

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With this in mind, it’s important to remember the old saying “be greedy when others are fearful, and fearful when others are greedy.” Investors are great at piling in during a bull market, but few have the courage to buy beaten down stocks during a correction, preferring to stick to safer assets like bonds and cash.

With the average bear market lasting 110 days, buying the dip and holding for the eventual recovery might be a good idea for an aggressive portfolio. By using an exchange-traded fund (ETF), you can spread your bet out among several stocks, mitigating the chances of one going down further.

The Canadian tech sector

My pick for the Canadian tech sector would be **iShares S&P/TSX Capped Information Technology Index ETF** (TSX:XIT). Currently, XIT holds a total of 24 stocks from Canada’s technology sector and trades at a price of $37 a share, with a management expense ratio (MER) of 0.61%.

The largest holdings in XIT are down significantly from all-time highs. Namely, **Shopify** and **Constellation Software** are down 62% and 12% year to date (YTD), respectively. If you’re looking to make a bet on Canada’s largest tech stocks, XIT is perfect as 27% of it is Shopify, and 24% is Constellation Software.

XIT also holds companies like **Open Text**, **CGI**, **Nuvei**, **Lightspeed Commerce**, **Descartes Systems Group**, and **BlackBerry**, in smaller portions. Many of these stocks are down 40% YTD or more as well. Buying XIT could be a great way to establish a low entry price on some fantastic picks.

The U.S. FANGMA cohort

Comprised of **Meta**, **Amazon**, **Netflix**, **Alphabet**, **Microsoft**, and **Apple**, the FANGMA has become synonymous with U.S. large-cap tech growth. While recent events have rattled their share prices, their fundamentals remain excellent, with strong cash reserves, good earnings, and continuing profitability.

These tech stocks are expensive, though. To buy one share of each company at their current price, an investor would need over US$5,000 dollars as well as currency conversion costs. A better way of gaining exposure would be through **Evolve FANGMA Index ETF** (TSX:TECH).

TECH holds all six FANGMA stocks in equal proportions, and is Canadian-dollar hedged. The MER is 0.40%. The ETF is relatively new, so assets under management (AUM) is low at just $57 million, and volume isn't too high. However, liquidity and bid-ask spreads shouldn't a problem, as the underlying six FANGMA stocks are heavily traded.

The Foolish takeaway

Investors banking on the Canadian and/or U.S. tech sectors in the long run can buy XIT or TECH for concentrated exposure. This is a high-risk, high-reward play. The tech sector might continue to suffer losses in the days ahead as interest rate hikes kick in and inflation remains high. However, the present correction has been substantial and buying now could be a great way to lock in a low cost basis.

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