



## Invest Abroad at Ease From Home With These Canadian ETFs

### Description

Canada is the 10th-largest stock exchange in the world. The Toronto Stock Exchange has more publicly listed miners than any other stock exchange. It has good [dividend stocks](#) and [REITs](#). But it lacks in [growth stocks](#) that cover areas such as semiconductors, fintech, and automotive.

But markets abroad have some of the best growth stocks. For instance, Taiwan has semiconductor stocks, and Europe and Japan have automotive stocks. You can get access to their growth from the comfort of your home with Canadian ETFs tracking international stocks.

### Two Canadian ETFs that invest abroad

- BMO MSCI EAFE Index ETF ([TSX:ZEA](#))
- BMO MSCI Emerging Markets Index ETF ([TSX:ZEM](#))

### Developed markets

Founded in February 2014, BMO MSCI EAFE Index ETF invests in large- and mid-cap stocks of developed equity markets other than Canada and the United States. It also invests in other ETFs and aims to capture 85% market capitalization of each country. With \$5.54 billion in assets under management (AUM), the ZEA ETF has 831 holdings. It has over 55% holdings in Japan, the United Kingdom, France, and Switzerland. And if you look at the sectors it covers, financials, industrials, consumer discretionary, and healthcare make up over 58% of its holdings.

Its largest holding is 2.12% in **Nestle**. This over-diversification impacts the overall returns of the ETF. That explains its 6.12% returns since inception. But the ETF is gaining momentum after it gave 13.1% returns in two years due to the steep recovery from the pandemic.

The ETF has dipped 11% from its December peak after the Russia-Ukraine war and rising inflation put developed economies' stocks in a bearish mode. Only the commodities and [energy stocks](#) are minting money, as the war has disrupted the global supply chain. This is a good time to buy the ETF and hold it

for five years. Once the global supply chain is restored, demand will pick up and drive another recovery rally. According to a **National Bank of Canada** [report](#), the ZEA ETF saw a net inflow of \$149 million (3% of its AUM) in March.

## Emerging markets

Founded in October 2009, BMO MSCI Emerging Markets Index ETF invests in 26 emerging markets and aims to capture 85% market capitalization of each country. With \$1.39 billion AUM, the ZEM ETF has 823 holdings. It has 70% holdings in China, Taiwan, India, and South Korea, and over 20% each in information technology and financials.

Its largest holding is 7.11% in **TSMC**, which manufactures chips for **AMD**, **Qualcomm**, and **Apple**. The ETF has invested around 4% each in **Tencent Holdings** and **Samsung**. Tencent owns WeChat and is the world's largest videogame maker. Samsung is a world leader in mobile and memory chips. There are many such big names in ZEM's equity basket.

The ETF's overall returns since inception dropped to 4.58%, as the trade war between the U.S. and China and the pandemic pulled down stocks of Chinese tech companies. The ETF is down 24% from its February 2021 high, with an almost 14% dip coming from the Ukraine war. The world is divided, and emerging economies are viewed as high risk. The National Bank of Canada report showed that ZEM ETF had the highest net outflow among all Canadian ETFs of \$399 million (20% of its AUM) in March.

Emerging markets are considered risky, because of geopolitical relations. But they have significant growth potential. China, Taiwan, and India have population that is untapped, whereas many developed economies are at a saturation level. Apple is banking on these countries to grow revenue. China is the largest automotive market. In a sound global economy, the ZEM ETF can give significant returns.

## My take on international ETFs

If you are new to investing, always begin with your home country. Canada has some good stocks and ETFs. Add international exposure to your portfolio only for diversification.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:ZEA (BMO MSCI EAFE Index ETF)
2. TSX:ZEM (BMO MSCI Emerging Markets Index ETF)

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1. kduncombe
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#### **Category**

1. Investing

#### **Date**

2025/07/22

#### **Date Created**

2022/04/21

#### **Author**

pujatayal

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