2 ETFs That Are Growth Stock Alternatives

Description

A growth stock is a vast spectrum. There are plenty of classifications for these growth stocks from short term to long term, slow paced to fast paced, and cyclical to linear. Every investor has their own preferences when it comes to growth stocks, and it's influenced by their risk tolerance and investment goals.

And if you have a relatively lower risk tolerance, you may consider investing in growth ETFs instead of growth stocks. Thanks to their inherent diversification, even the riskiest ETFs might be relatively safe compared to some growth ETFs. If you choose suitable ETFs, you may not even have to compromise on the growth pace to lower the risk profile.

There are two ETFs that offer growth comparable to and better than many relatively steady growth stocks that should be on your radar.

A tech sector ETF

First Trust AlphaDEX US Technology Sector Index ETF (TSX:FHQ) is a U.S.-heavy tech-oriented ETF with a medium to high risk rating, just one step lower than high-risk ETFs like cryptos (another flavour of tech). While it includes businesses from some other countries as well, over 95% of the weight is made up of U.S.-based tech companies.

There are roughly 107 holdings in the index the ETF is tracking, and the weight is relatively equally divided among them. This makes it radically different from another tech ETFs where the big five tech giants (Google, **Amazon**, etc.) dominate the scene due to their higher market cap.

A more comprehensive distribution is probably one of the reasons behind the exceptional performance of the ETF. It has risen 125% in the last five years alone and almost 211% since its inception (2014). At this pace, the stock can easily offer you three-fold growth in a decade. It also offers a quarterly dividend at a very tasteful rate.

An S&P 500 ETF

Another ETF that offers even more pronounced growth is **BetaPro S&P 500 2x Daily Bull ETF Class A** (TSX:HSU). The first thing you might notice regarding this ETF is an incredibly high MER of 1.55%, which is more akin to mutual funds than an ETF. However, this seems adequately justified if you consider the growth potential of this ETF.

In the last five years, the fund has appreciated about 161%, and the farther back you go, the more aggressive the growth becomes. If you had invested $10,000 in the fund at the time of its inception (2008), you would have grown it to over $60,000 by now. That's six times the growth in less than two decades.

The reason behind this growth is that the ETF aims to achieve twice the daily growth of the S&P 500 and, so far, has offered even more than that compared to the underlying index.

Foolish takeaway

The two exchange-traded funds offer better growth than the bulk of linear/predictable growth stocks currently trading on the TSX and with significantly less downside. However, the volatility and the risk profile of the two are different. The faster of the two is also relatively riskier, but it's well worth it when you consider the return potential.

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