



Best Funds to Buy: How to Research ETFs

Description

[Exchange-traded funds](#) (ETFs) are some of the most popular investments among Canadians. ETFs offer investors tonnes of advantages. So, it's not surprising that these funds have exploded in popularity over the last decade, as investors find the best ETFs to buy for their portfolios.

ETFs aren't even just for retail investors or those that don't want to pick their own stocks. Thanks to all the innovation from markets, there are ETFs that offer benefits even to institutional investors.

Of course, buying a single investment and gaining exposure to several different companies makes a lot of sense. For starters, it helps investors to diversify and eliminate single stock risk. Not only that, but gaining exposure to sometimes hundreds of stocks with a single purchase can save investors tonnes of money in commissions.

In addition, though, you're also gaining exposure to a portfolio of stocks selected by a professional management team. And often, this can result in exposure to companies in countries you couldn't normally get exposure to.

So, adding ETFs to your portfolio is certainly a good idea. And if you're looking to research ETFs, here's what to focus on as well as one of the best to buy now.

How to research ETFs to determine the best to buy

When you find an ETF you're interested in researching, you'll first want to go to the ETF provider and look up the stats and facts about the fund. For example, one of the best ETFs to buy now is **iShares S&P/TSX Capped Financials Index ETF** ([TSX:XFN](#)).

You can go to the [fund's website](#) to find out facts such as how many stocks the fund holds, the countries these companies are in, what kind of yield the fund offers, how often it's rebalanced, and much more.

A quick glance at the XFN ETF shows that the fund offers exposure to 28 different stocks, it's

rebalanced quarterly, it tracks the S&P/TSX Capped Financials Index, and it pays a monthly distribution.

A lot of this is crucial information, especially looking at the top holdings of each fund. Because even if you're only buying ETFs for your portfolio, it's possible to overexpose yourself to certain stocks if they are major holdings across several of your ETFs.

It's crucial to look at the fees each ETF charges

In addition to all this research about the stocks that the fund holds, you'll also want to look at how much of a management expense ratio it charges. The whole reason ETFs have become so popular is that they are much lower cost to own than traditional [mutual funds](#).

Not only that, but thanks to stiff competition among several ETF providers, fees for these funds have continued to fall. And as we all know, minimizing the fees that you pay on your investments is crucial to maximizing your return potential.

So, it's crucial to take into account what the ETF provides you and how often it's being rebalanced. And then compare it to similar ETFs to make sure that the management expense ratio is reasonable. This way, you can ensure that the ETFs you buy are the best investments you can make.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:XFN (iShares S&P/TSX Capped Financials Index ETF)

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