



## VBAL vs. XBAL vs. ZBAL: Which ETF Portfolio Is the Better Buy for Canadian Investors?

### Description

Welcome to a series where I break down and compare some of the most popular [exchange-traded funds \(ETFs\)](#) available to Canadian investors!

Canadian investors favouring the most hands-off, [passive](#) approach to investing can invest in all-in-one “asset-allocation” ETFs from a variety of fund managers such as **Vanguard**, **BlackRock**, and **BMO**.

Today, we’ll be looking at the 60/40 stocks/bonds version, otherwise known as the “balanced” ETF portfolio (ending with the suffix “BAL”), suitable for investors with a medium risk tolerance.

Up for consideration are **Vanguard Balanced ETF Portfolio** ([TSX:VBAL](#)), **iShares Core Balanced ETF Portfolio** ([TSX:XBAL](#)), and **BMO Balanced ETF** ([TSX:ZBAL](#)).

### VBAL vs. XBAL vs. ZBAL: Fees

The fee charged by an ETF is expressed as the management expense ratio (MER). This is the percentage that is deducted from the ETF’s net asset value (NAV) over time, calculated on an annual basis. For example, an MER of 0.50% means that for every \$10,000 invested, the ETF charges a fee of \$50 annually.

VBAL has an MER of 0.24% compared to XBAL and ZBAL’s MER of 0.20%. The difference is minuscule (a difference of \$4 on a \$10,000 portfolio), but if we had to pick a winner, it would either be XBAL or ZBAL.

### VBAL vs. XBAL vs. ZBAL: Size

The size of an ETF is very important. Funds with small assets under management (AUM) may have poor liquidity, low trading volume, high bid-ask spreads, and more risk of being delisted due to lack of interest.

VBAL currently has AUM of \$2.24 billion, XBAL has AUM of \$927 million, and ZBAL has AUM of just \$117 million. Although all are sufficient for a buy-and-hold investor, VBAL is the most popular ETF right now

## **VBAL vs. XBAL vs. ZBAL: Holdings**

All three ETFs are considered “funds of funds” in that their underlying holdings are not stocks but rather other ETFs covering various geographies. This makes sense in that XBAL, VBAL, and EQT are intended to be all-in-one portfolios.

VBAL allocates approximately 26% to U.S. stocks, 18% to Canadian stocks, 11% to developed international stocks, 5% to emerging international stocks, 24% to Canadian bonds, 7% to U.S. bonds market, and 9% to the global ex-U.S. bond market.

XBAL allocates approximately 27% to the U.S. stock market, 15% to the Canadian stock market, 15% to the developed international stock market, 3% to the emerging international stock market, 30% to the Canadian bond market, and 10% to the U.S. bond market.

ZBAL allocates approximately 26% to the U.S. stock market, 17% to the Canadian stock market, 12% to the developed international stock market, 5% to the emerging international stock market, 36% to the Canadian bond market, and 4% to the U.S. bond market.

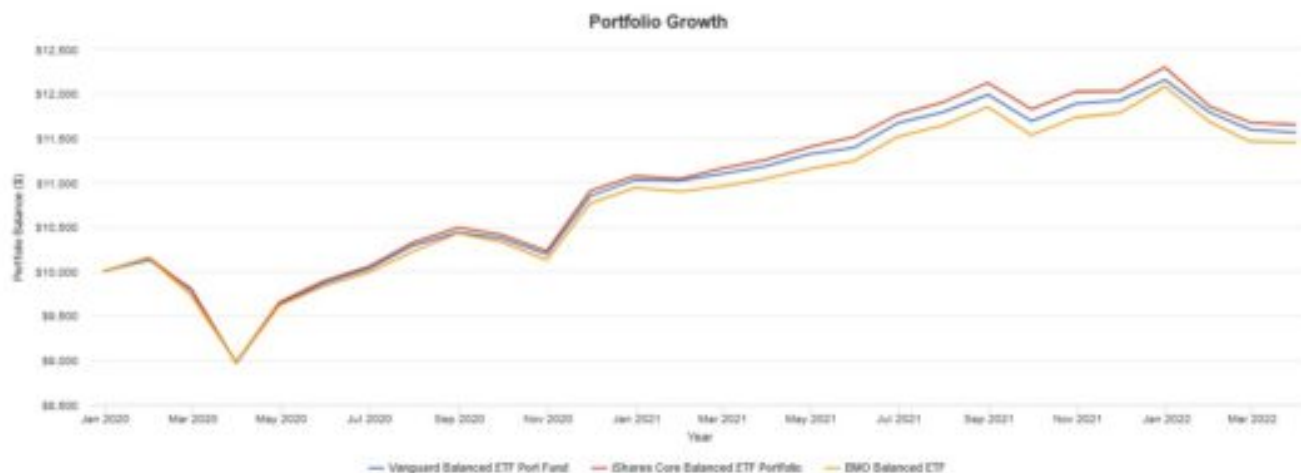
## **VBAL vs. XBAL vs. ZBAL: Historical performance**

All three funds are quite new, so performance history is limited. Nonetheless, a backtest is useful for assessing tracking error and relative performance.

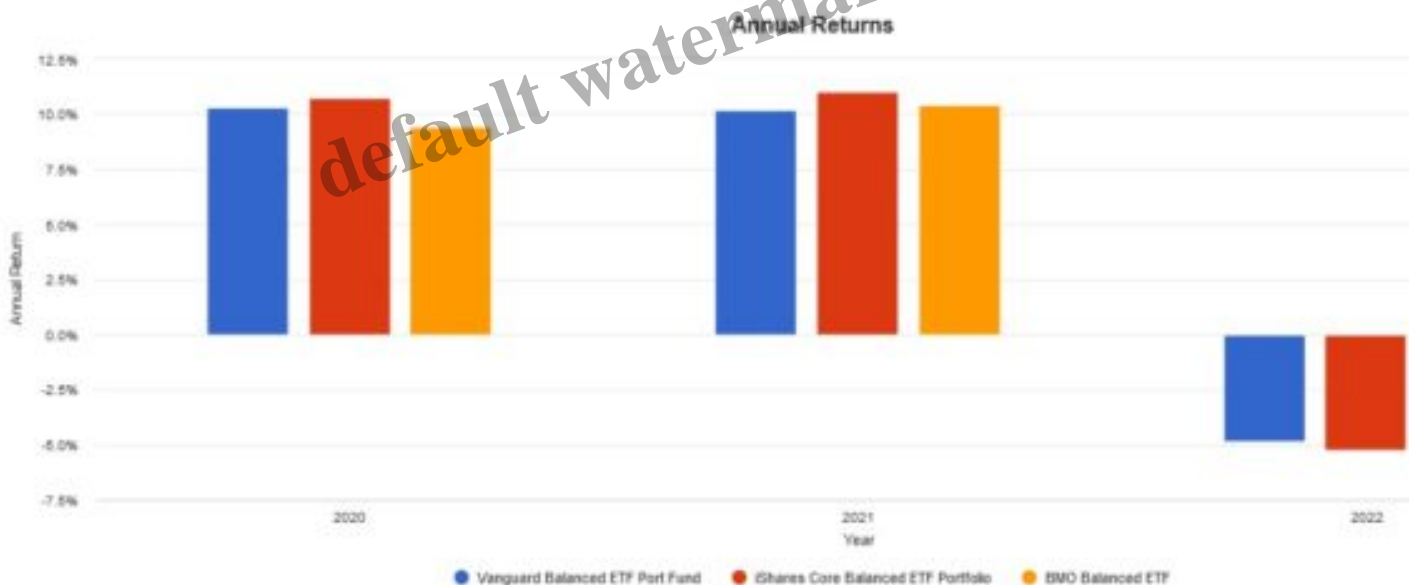
A cautionary statement before we dive in: past performance is no guarantee of future results, which can and will vary. The portfolio returns presented below are hypothetical and backtested. The returns do not reflect trading costs, transaction fees, or taxes.

Here are the trailing returns from 2020 to present.

Portfolio	Initial Balance	Final Balance	CAGR	Stdev	Best Year	Worst Year	Max. Dr.
Vanguard Balanced ETF Port Fund	\$10,000	\$11,562	6.66%	10.39%	10.27%	-4.86%	-11.56%
iShares Core Balanced ETF Portfolio	\$10,000	\$11,648	7.02%	10.57%	11.04%	-5.26%	-11.64%
BMO Balanced ETF	\$10,000	\$11,448	6.19%	10.32%	10.40%	-5.21%	-11.44%



Here are the annual returns from 2020 to present:



All three ETFs have very similar performance. XBAL had slightly higher returns and volatility, which I attribute to the outperformance of U.S. stocks it holds in higher proportions compared to the others. However, I do expect performance to be virtually identical in the long run.

## The Foolish takeaway

If I had to choose one ETF to buy and hold, it would be XBAL. It has the lowest MER tied with ZBAL, but much higher AUM in comparison. The holdings of all three ETFs are very similar and unlikely to cause major differences over time.

So, it really comes down to a coin flip here. Investors can hold either of these three ETFs for the long

run and come out very happy. If you're partial to Vanguard and like the philosophy of lowering fees, VBAL is a great pick. If you're loyal to BMO, ZBAL is a good choice as well.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:VBAL (Vanguard Balanced ETF Portfolio)
2. TSX:XBAL (iShares Core Balanced ETF Portfolio)
3. TSX:ZBAL (Bmo Mutual Funds - Bmo Balanced ETF Portfolio)

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