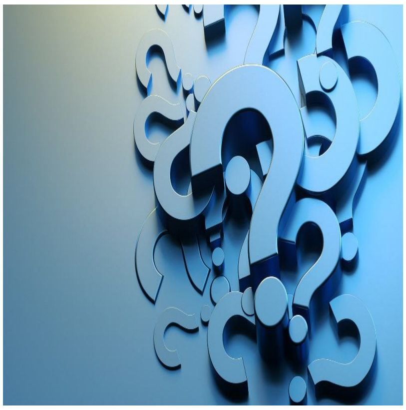


VGRO vs. XGRO vs. ZGRO: Which ETF Portfolio Is the Better Buy for Canadian Investors?

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 80/20 stocks/bonds version, otherwise known as the "growth" ETF portfolio (ending with the suffix "GRO"), which is suitable for investors with a moderate risk tolerance.

Up for consideration are **Vanguard Growth ETF Portfolio** (TSX:VGRO), **iShares Core Growth ETF Portfolio** (TSX:XGRO), and **BMO Growth ETF** (TSX:ZGRO).

VGRO vs. XGRO vs. ZGRO: 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 and 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.

VGRO has an MER of 0.24% compared to XGRO and ZGRO'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 XGRO or ZGRO.

VGRO vs. XGRO vs. ZGRO: 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.

VGRO currently has AUM of $3.44 billion, XGRO has AUM of $1.37 billion, and ZGRO has AUM of just $150 million. Although all are sufficient for a buy-and-hold investor, VGRO is the most popular ETF right now.

VGRO vs. XGRO vs. ZGRO: 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 XGRO, VGRO, and EQT are intended to be all-in-one portfolios.

VGRO allocates approximately 34% to the U.S. stock market, 25% to the Canadian stock market, 15% to the developed international stock market, 6% to the emerging international stock market, 12% to the Canadian bond market, 4% to the U.S. bond market, and 4% to the global ex-U.S. bond market.

XGRO allocates approximately 36% to the U.S. stock market, 21% to the Canadian stock market, 19% to the developed international stock market, 4% to the emerging international stock market, 16% to the Canadian bond market, and 4% to the U.S. bond market.

ZGRO allocates approximately 36% to the U.S. stock market, 22% to the Canadian stock market, 16% to the developed international stock market, 6% to the emerging international stock market, 18% to the Canadian bond market, and 2% to the U.S. bond market.

VGRO vs. XGRO vs. ZGRO: Historical performance

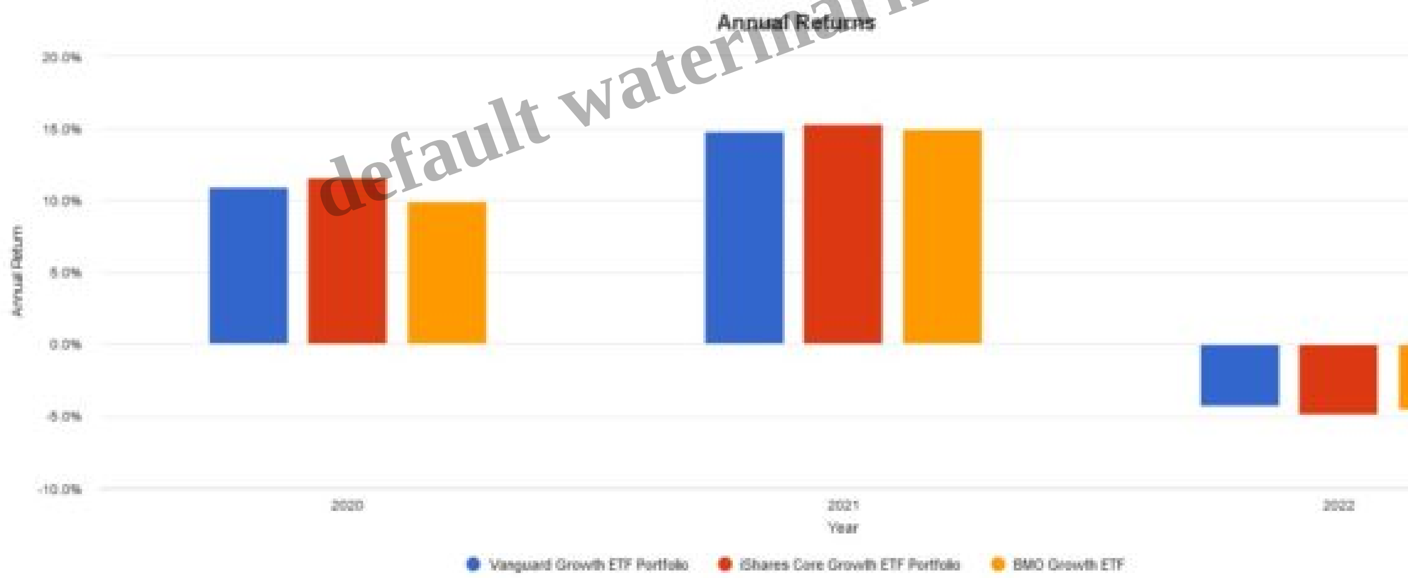
All three funds are quite new, so performance history is limited. Nonetheless, a backtest is useful for assessing tracking error and relative performance.

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 2019 to present.

Portfolio	Initial Balance	Final Balance	CAGR	Stdev	Best Year	Worst Year	Max. Drawdo
Vanguard Growth ETF Portfolio	$10,000	$12,185	9.18%	12.77%	14.82%	-4.29%	-14.78%
iShares Core Growth ETF Portfolio	$10,000	$12,238	9.39%	12.81%	15.26%	-4.84%	-14.54%
BMO Growth ETF	$10,000	$12,067	8.71%	12.31%	14.99%	-4.56%	-14.24%

Here are the annual returns from 2020 to present:



All three ETFs have very similar performance. XGRO 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 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 XGRO. It has the lowest MER tied with ZGRO, 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, VGRO is a great pick. If you’re loyal to BMO, ZGRO is a good choice as well.

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1. TSX:VGRO (Vanguard Growth ETF Portfolio)
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