



## VCNS vs. XCNS: 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** and **BlackRock**.

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

Up for consideration are **Vanguard Conservative ETF Portfolio** ([TSX:VCNS](#)) and **iShares Core Conservative ETF Portfolio** ([TSX:XCNS](#)).

### VCNS vs. XCNS: 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.

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

### VCNS vs. XCNS: 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.

VCNS currently has AUM of \$547 million, while XCNS has AUM of \$81 million. Generally, I like to see

ETFs attract at least \$100 million AUM for stability, so the nod goes to VCNS here.

## VCNS vs. XCNS: Holdings

Both 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 XCNS and VCNS are intended to be all-in-one portfolios.

VCNS allocates approximately 17% to U.S. stocks, 12% to Canadian stocks, 8% to developed international stocks, 3% to emerging international stocks, 35% to Canadian bonds, 12% to U.S. bonds market, and 13% to the global ex-U.S. bond market.

XCNS allocates approximately 18% to the U.S. stock market, 10% to the Canadian stock market, 10% to the developed international stock market, 2% to the emerging international stock market, 48% to the Canadian bond market, and 12% to the U.S. bond market.

## VCNS vs. XCNS: Historical performance

Both 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.



Here are the annual returns from 2020 to present:



Both ETFs posted similar performance. XCNS had slightly higher returns and volatility, which I attribute to the outperformance of the 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 VCNS. Despite XCNS having a 0.04% lower MER, the difference in AUM is noticeable. An ETF with less than \$100 million AUM is risky to me, even if BlackRock is a large fund provider.

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2. TSX:XCNS (iShares Core Conservative Balanced ETF Portfolio)

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