



The 3 Best ETFs to Buy for Oversized Dividends

Description

Diversification is a proven strategy to mitigate risks in financial markets, including the stock exchange. Canadian investors are fortunate, because the **TSX** offers a wide selection of [exchange-traded funds](#) (ETFs). You can own stocks across different sectors or industries with a single purchase. More importantly, you [spread out the risks](#).

If you're in the stock market to earn passive income, most ETFs are [dividend payers](#). **BMO Canadian Dividend ETF** ([TSX:ZDV](#)), **iShares S&P/TSX Composite High Dividend Index ETF** ([TSX:XEI](#)), and **FTSE Canadian High Dividend Yield Index ETF** ([TSX:VDY](#)) offer oversized dividends compared to peers. Established ETF providers are the asset managers of these high-yield funds.

BMO Global Asset Management

Investors in **Bank of Montreal's** ZDV gain exposure to a yield-weighted portfolio of Canadian dividend-paying stocks. The securities go through a liquidity screening process, and the fund manager rebalances the underlying portfolio every June of the year.

ZDV's total return in 3.01 years is a respectable 39.98% (11.84% CAGR). As of this writing, the share price is \$21.12, while the dividend offer is 3.91%. This medium-risk-rated ETF has 51 stock holdings. The assets are 100% Canadian, with **Enbridge** (5.32%) and **BCE** (5.09%) having the most percentage weights.

Financial stocks (36.37%) dominate the fund, followed by energy (15.84%), utilities (12.61%), and communications services (12.8%). Sectors like materials, industrials, consumer staples, and consumer discretionary have less than 10% allocations. BMO-GAM uses a rules-based methodology (three-year dividend-growth rate, yield, and payout ratio) when investing in Canadian equities.

BlackRock

BlackRock designed XEI to be a long-term foundation holding. The ETF replicates the S&P/TSX

Composite High Dividend Index's performance. Aside from being a low-cost investment, it should provide long-term capital growth to investors. Performance-wise, XEI outperforms the TSX year to date (10.61% versus -0.18%).

Like ZDV, XEI carries a medium-risk rating. However, the 75 stock holdings skew more towards the energy (31.90%) and financial (28.5%) sectors. The top three holdings are **Suncor Energy** (5.94%), **Canadian Natural Resources** (5.38%), and **Pembina Pipeline** (5.25%).

Investors should find XEI's price affordable (\$27.82 per share) and the dividend yield (3.62%) very attractive.

Vanguard

Vanguard's VDY seeks to track, to the extent reasonably possible, the performance of a broad Canadian equity index. The fund invests in common Canadian stocks that pay high dividends. As the fund manager, Vanguard utilizes a passively managed, fully replicated index strategy.

Investors in this ETF gain exposure to small-, mid-, and large-cap stocks TSX stocks across various industries. As of this writing, VDY has 45 stock holdings, where 92.65% are large-cap stocks. The financial (57.1%) and energy sectors (26.3%), led by the **Royal Bank of Canada** and Enbridge, have the most significant representation.

At \$46.03 per share, the trailing one-year price return and year-to-date gain are 24.23% and 8.18%, respectively. If you invest today, you can partake of the 3.83% dividend.

Monthly income streams

ETFs are great investment options if picking and monitoring individual stocks is problematic. Besides doing away with the tedious task, investors gain instant diversification. ZDV, XEI, and VDY have been doing well amid the heightened market volatility. However, the best part for income investors is the frequency of payouts, and all three pay dividends every month.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:VDY (Vanguard FTSE Canadian High Dividend Yield Index ETF)
2. TSX:XEI (iShares S&P/TSX Composite High Dividend Index ETF)
3. TSX:ZDV (BMO Canadian Dividend ETF)

PARTNER-FEEDS

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