Buy the Dip: 3 ETFs That Have Taken a Beating in 2022

Description

The entry of exchange-traded funds (ETFs) in the stock market was welcome news to risk-averse and passive investors. Besides simplifying the selection process, the asset class enable investors to spread the risks. However, ETFs aren't risk-free because of these salient features. All ETFs carry risk-ratings from low and medium to high.

Among the stable performers amid today's precarious market are **BMO Equal Weight Banks Index ETF** and **iShares Core Conservative Balanced ETF Portfolio.** You can stick to the pair for recurring income streams from dividends.

However, tech-heavy ETFs are taking a beating in 2022. **TD Global Technology Leaders Index ETF** (TSX:TEC), **BMO NASDAQ 100 Equity Index ETF** (TSX:ZNQ), and **iShares S&P/TSX Capped Information Technology Index ETF** (TSX:XIT) have mirrored the underperformance of TSX's technology sector so far in 2022.

TEC is down 28.35%, while ZNQ is losing by 34.29%. Meanwhile, XIT is far worse with its 37.3% year-to-date loss. You can buy them on the dip before the eventual rebound of tech stocks or stay clear while the slump continues.

85% American

TD Asset Management is the portfolio adviser to TEC. This ETF tracks the performance of the Solactive Global Technology Leaders Index, which is comprised primarily of mid- to large-cap tech stocks. But in terms of geography, U.S. tech firms have 84.9% representation versus the 1.1% of Canadian firms.

However, regarding sector mix, the basket is not purely technology (71.4%). The fund also holds stocks from eight other sectors, including consumer services (8.3%), financial (5.8%), and consumer goods (5.7%). The top two holdings are **Apple** (14.75%) and **Microsoft** (12.03%). If you invest today, TEC trades at $22.11 per share.

NASDAQ only

ZNQ, through **BMO** Global Asset Management, provides exposure to non-financial equities in the United States. This ETF replicates the performance of a NASDAQ-listed companies index — specifically, 100 of the largest firms in the tech-heavy index. Like TEC, the basket includes stocks from other sectors.

However, the geographic allocation is 100% American. Apple and Microsoft are also the top two holdings out of a total of 103 stocks. In 3.01 years, ZNQ's total return is 53.05% (15.2% CAGR). It trades at $49.57 today, or 25.85% lower than its peak of $66.85 on January 4, 2022.

100% Canadian

The target exposure BlackRock's ETF is only on Canadian tech firms. XIT replicates the performance of the S&P/TSX Capped Information Technology Index and aims to deliver long-term capital growth. As of May 17, 2022, application software companies (50.81%) have the most significant representation, followed by internet services & infrastructure (19.71%) and IT consulting & other services (18.44%).

Constellation Software and **Shopify** are the top two out of 26 holdings. XIT has done well in the last five years (+124.58%), but unfortunately, it could plunge some more from its bargain price of $32.46 today.

Risky choices

Technology stocks and tech-heavy ETFs like TEC, ZNQ, and XIT aren't the best investment choices today. If you want to stay invested in this asset class, look for funds that pays oversized dividends and with zero exposure to the tech sector.

CATEGORY

1. Investing
2. Tech Stocks

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1. TSX:TEC (TD Global Technology Leaders Index ETF)
2. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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