



## VEE vs. XEC: Which International Emerging Markets ETF 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!

An allocation to ex-U.S. and Canadian equities is sensible for most investors. Developed emerging markets like the Middle East, Africa, Eastern Europe, and Central Asia contain some attractive low-valuation stocks. Thankfully, both **Vanguard** and **BlackRock** provide a set of low-cost, high-liquidity ETFs that offer exposure.

The two tickers up for consideration today are **Vanguard FTSE Emerging Markets All Cap Index ETF** ([TSX:VEE](#)) and **iShares Core MSCI Emerging Markets IMI Index ETF** ([TSX:XEC](#)). Which one is the better option? Keep reading to find out.

### VEE vs. XEC: 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 is 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.

VEE has a MER of 0.24%, compared to XEC at 0.26%. For a \$10,000 portfolio, the difference works out to around \$2 per year, which is miniscule and not worth fretting over. Still, if we had to pick a winner, the advantage goes to VEE.

### VEE vs. XEC: 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.

VEE has attracted AUM of \$1.4 billion, whereas XEC has AUM of \$978 million. Although both are sufficient for a buy-and-hold investor, VEE is currently the more popular ETF among Canadian investors.

## VEE vs. XEC: Holdings

VEE tracks the **FTSE Emerging Markets All Cap Index**, which holds a total of 5,446 mostly large-cap stocks. In terms of geographical exposure, 32% of VEE's stocks are from China, with 18% from Taiwan, 16% from India, 6% from Brazil, 5% from Saudi Arabia, 4% from Africa, and 3% from Thailand.

XEC tracks the **MSCI Emerging Market Investable Markets Index**, which holds a total of 2,581 mostly large-cap stocks. In terms of geographical exposure, China dominates at 27%, followed by Taiwan at 16%, India at 14%, Korea at 13%, Brazil at 5%, Saudi Arabia at 4%, and South Africa at 4%.

## VEE vs. XEC: Historical 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, which can cause drag.

Here are the trailing returns from 2014 to present:



Here are the annual returns from 2014 to present:



VEE outperformed with a slightly higher total return and lower volatility. I attribute this to tracking error and slight differences in index composition. Over the long run, performance should be about equal, so this isn't a cause for concern.

## The Foolish takeaway

Given that both ETFs perform more or less identically and have sufficient AUM, I would pick the one with the lower MER, which would be VEE. However, if you're partial to BlackRock, XEC is a great alternative.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:VEE (Vanguard FTSE Emerging Markets All Cap Index ETF)
2. TSX:XEC (iShares Core MSCI Emerging Markets IMI Index ETF)

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