2 Interesting ETFs to Buy for Passive Investing

Description

One clear advantage of investing in exchange-traded funds (ETFs) is its simplicity. What is an ETF? It provides investors immediate diversification — that is, exposure to a basket of investments. As long as you're bullish in an area, you can passively invest by buying more shares in an ETF on market corrections.

Some ETFs provide exposure to the U.S. stock market, Canadian stock market, or the international stock market. You can also invest in bond ETFs or equity ETFs that give exposure to a basket of stocks. For example, tech stocks have corrected tremendously in this market downturn but, as a group, they can excel in long-term growth. Therefore, investors might consider building a position in **Invesco QQQ Trust** (NASDAQ:QQQ) or **iShares NASDAQ 100 Index ETF (CAD-Hedged)** (TSX:XQQ) in the current market decline.

QQQ or XQQ ETF?

The Invesco QQQ Trust has a long history with an inception date of March 1999. It is a widely embraced ETF that has a net asset value of approximately US$169 billion. It's a low-cost ETF with an expense ratio of 0.20%. The ETF is primarily for growth as it only yields 0.6%. It has corrected about 30% from its high. So, it's a decent place to start accumulating for long-term growth.

The QQQ ETF tracks more or less the performance of the **Nasdaq-100 Index**, which provides exposure to 100 of the largest non-financial companies on the NASDAQ based on market cap. Over half of the fund is in the information technology sector. QQQ also gives some diversification in other sectors. It is weighted about 17% each in consumer discretionary and communication services, followed by a 5-6% exposure each in the healthcare and consumer staples sectors.

Its top 10 holdings are roughly as follows:

- **Apple** (12.6% of the fund)
- **Microsoft** (10.6%)
- **Amazon** (5.9%)

- **Alphabet Class C** (3.8%)
- **Tesla** (3.8%)
- **Meta Platforms** (3.7%)
- **Alphabet Class A** (3.6%)
- **NVIDIA** (3.2%)
- **Pepsi** (2.0%)
- **BroadCom** (1.9%)

XQQ became available in May 2011. It is essentially the same as the QQQ ETF, except it's Canadian dollar hedged, which means that when the Canadian dollar rises against the U.S. dollar, it'll perform better than QQQ. So, if Canadians expect the Canadian dollar will rise in value over the next few years against, say, U.S. dollars, they can invest in XQQ instead of QQQ. Otherwise, invest in QQQ.

To balance the growth potential from QQQ or XQQ, Canadian investors may consider an ETF like **iShares S&P/TSX Capped REIT Index ETF** (TSX:XRE), which is supported by real assets in the real estate sector.

XRE ETF

The correction in the value ETF has been much milder — a mere +13% decline from its 52-week high. It also provides a better yield of approximately 3.4%, which is understandable from the rental income of the underlying assets.

XRE has been available since October 2002. It has a net asset value of approximately $1.2 billion, which is similar to XQQ's $1.7 billion. XRE's expense ratio of 0.61% is fair and more than covered by its decent yield.

Its top 10 holdings are roughly as follows:

- **Canadian Apartment Properties REIT** (13.5% of the fund)
- **RioCan REIT** (11.0%)
- **Granite REIT** (9.2%)
- **Allied Properties REIT** (8.0%)
- **Choice Properties REIT** (6.5%)
- **H&R REIT** (6.1%)
- **Dream Industrial REIT** (5.5%)
- **First Capital Realty REIT** (5.4%)
- **Summit Industrial Income REIT** (5.2%)

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:QQQ (PowerShares QQQ Trust, Series 1)
2. TSX:XQQ (iShares NASDAQ 100 Index ETF (CAD-Hedged))

3. TSX:XRE (iShares S&P/TSX Capped REIT Index ETF)

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