



Canadian Investors: 3 Bank, Energy, and Tech ETFs to Replace Stock Picking

Description

Canadian investors looking to buy domestic stocks have a variety of blue-chip picks to create their portfolios. Canada's economy is dominated by the financial and energy sectors, with a handful of large-cap stocks leading the index.

In addition, Canadians can also buy the TSX tech sector. Although beaten down throughout the course of 2022 due to inflation and rising interest rates, companies in this sector remain solid picks for future growth and innovation.

However, instead of picking and choosing individual stocks (which can be time consuming and stressful) a better way might be to buy an [exchange-traded fund \(ETF\)](#) that holds the largest, most well-known stocks of each sector. Let's take a look at some great picks today.

Energy sector

The top ETF for tracking the TSX energy sector is **iShares S&P/TSX Capped Energy Index ETF** ([TSX:XEG](#)). XEG is high popular, having attracted assets under management (AUM) of \$2.15 billion.

The ETF tracks the **S&P/TSX Capped Energy Index**, which holds 22 TSX energy stocks. Each stock in XEG is subjected to a 25% cap on their weight to ensure balance.

The top five holdings of XEG include **Canadian Natural Resources**, **Suncor Energy**, **Cenovus Energy**, **Tourmaline Oil**, and **Imperial Oil**, with the first two stocks at 24.89% and 24.07% each.

In terms of fees, XEG costs a management expense ratio (MER) of 0.61%, or around \$61 annually for a \$10,000 portfolio

Banking sector

Canada's Big Six banks include **Royal Bank of Canada**, **Toronto-Dominion Bank**, **Canadian Imperial Bank of Commerce**

, **Bank of Nova Scotia**, **Bank of Montreal**, and **National Bank**.

Together, these banks form an oligopoly, with minimal competition. A great way to buy all six banks with one ticker is via **BMO S&P/TSX Equal Weight Bank Index ETF** ([TSX:ZEB](#)).

The equal weighting of ZEB plus the quarterly rebalancing makes portfolio management extremely simple. ZEB also pays a decent distribution yield of 3.93% thanks to the high dividends of bank stocks.

In terms of fees, ZEB costs a MER of 0.28%, or around \$28 annually for a \$10,000 portfolio.

Technology sector

For the TSX tech sector, consider **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)), which holds 24 Canadian tech stocks of all market cap sizes.

The largest holdings in XIT are down significantly from all-time highs. Namely, **Shopify** and **Constellation Software** comprise 50% of the ETF and are now trading at much more attractive valuations.

XIT also holds companies like **Open Text**, **CGI**, **Nuvei**, **Lightspeed Commerce**, and **BlackBerry** in smaller portions. Buying XIT could be a great way to establish a low entry price for the sector.

In terms of fees, XIT costs a MER of 0.61%, or around \$61 annually for a \$10,000 portfolio.

CATEGORY

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TICKERS GLOBAL

1. TSX:XEG (iShares S&P/TSX Capped Energy Index ETF)
2. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)
3. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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