Not Sure What to Invest in? Try These 2 ETFs

Description

The combination of surging inflation and fears of recession affects not only stocks and real estate investment trusts (REITs) but also exchange-traded funds (ETFs). Selling was intense on June 13, 2022, and the TSX entered correction territory. All of the 11 primary sectors pulled back to widen the Index's year-to-date loss to nearly 7%.

If you're unsure where to invest in given the complex environment, consider **Vanguard Growth ETF Portfolio** (TSX:VGRO) or **iShares Core Growth ETF Portfolio** (TSX:XGRO). The fund managers of these ETFs invest in equity and fixed-income securities. Because of their exposures, the risk rating of both is low to medium.

80/20 asset mix

VGRO is one of Vanguard's high-quality investment products. Besides investing in equity and fixed-income securities, Vanguard can also invest, direct or indirectly, in one or more ETFs it manages. The strategy should provide long-term capital growth to investors.

According to Vanguard, VGRO strives to maintain a long-term strategic asset allocation. Under normal market conditions, the usual exposure is 80% equity and 20% fixed-income securities. The sub-advisor can reconstitute and rebalance the portfolio asset mix from time to time or if necessary.

For equity investments, VGRO skews toward the U.S. (43.2%) than Canada (30.6%). However, the percentage representation of Canadian fixed-income securities (57.9%) is more compared to America (18.1%). Regarding sector exposure, the top four are financial (19.4%), technology (16.4%), industrial (12.2%), and consumer discretionary (11.6%).

For the fixed-income portion of VGRO, the maturity dates are longest in the one-to-five-year (40.3%) and five-to-10-year (28.7%) categories. At $27.62 per share, current investors are down 15.61% year to date. Somehow, the dividend payments compensate for the price drop. The ETF pays a 1.48% annual dividend, while the distribution frequency is quarterly.

Multi-asset

XGRO is broadly diversified and has the same exposure breakdown as VGRO (80% equity, 20% fixed-income). According to BlackRock Canada, the fund manager, investing in one or more of its ETFs should provide long-term capital growth to investors.

BlackRock monitors XGRO continuously and rebalances it automatically (quarterly), if necessary, to maintain the desired asset class target weights. Because of a lower cost fee structure (0.18%), the cut from investors' earnings wouldn't be much.

Currently, the top two holdings are **iShares Core S&P Total U.S. Stock Index** and **iShares S&P/TSX Capped Composite Index.** Like VGRO, this ETF underperforms with its 15.59% year to date. In the last 10 years, the total return is 117.61% (8.06% CAGR). If you invest today, XGRO pays a 1.53% dividend. As of this writing, the value of the nest assets is $1.26 billion.

Instant diversification

ETFs offer instant diversification and is far superior to mutual funds in terms of fees. Would-be investors in VGRO and XGRO can build a low-cost, broadly diversified portfolio and do away with picking individual stocks. However, not all ETFs are suitable investments today.

Look into the sector allocation, exposure breakdowns, and asset mix first before investing. For now, steer clear of tech stocks or tech-related ETFs. The sector reels from high inflation and rising interest rates. Meanwhile, energy ETFs mirror the performance of the red-hot sector in 2022.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:VGRO (Vanguard Growth ETF Portfolio)
2. TSX:XGRO (iShares Core Growth ETF Portfolio)

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