



XEI vs. XDV: Which BlackRock Dividend ETF Is a Better Buy?

Description

The **S&P/TSX Composite Index** is down by almost 15% from its all-time high at writing. It is safe to say that there seems to be no sector in the Canadian economy that is not in the red. Even the energy industry has fallen to significantly lower levels amid the most recent pullback.

Dividend investing has been a popular strategy among many Canadian investors this year due to the heightened volatility across the board. Investing in [exchange-traded funds](#) (ETFs) might be an easier option for newer stock market investors unable to decide on the top dividend stocks for their portfolios.

BlackRock is one of the top dividend providers in Canada. It offers a wide range of low-cost funds you can consider investing in for various financial goals.

Today, I will discuss two of its ETFs that offer you hassle-free exposure to baskets of high-quality dividend stocks: **iShares S&P/TSX Composite High Dividend Index ETF** ([TSX:XEI](#)) and **iShares Canadian Select Dividend Index ETF** ([TSX:XDV](#)).

Suppose that you want to allocate funds to just one of the two products. In that case, which one is the better investment in the current environment? Keep reading this post to find out my take.

XEI vs. XDV: How do their fees compare?

ETFs are portfolios managed by financial experts to align with specific investment goals. It makes sense that investing in these funds comes with a fee in exchange for their services. The management expense ratio (MER) is the percentage deducted from the net asset value (NAV) of a fund. An MER of 0.07% means that for every \$1,000 invested in the fund, the ETF charges you \$7 per year.

XEI ETF has an MER of 0.22%, a fee significantly lower than XDV ETF's 0.55%. ETFs boasting an MER above 0.50% are typically regarded as costlier funds, making XEI ETF the more cost-effective fund to own among the two.

XEI vs. XDV: How big are they?

Next up is the size of the ETF. Funds with a smaller amount of assets under management (AUM) could be considered riskier investments due to a general lack of investor interest, low trading volume, and poor liquidity.

XEI ETF and XDV ETF are both well off in terms of their sizes. XEI boasts an AUM of \$1.50 billion at writing. XDV ETF boasts an AUM of \$1.62 billion. While both funds are well capitalized, XDV ETF is the more popular among the two.

XEI vs. XDV: What do they invest in?

XEI ETF and XDV ETF provide you with investment returns by allocating their AUMs to buy and hold assets to reflect the holdings of their underlying market indices.

XEI ETF invests in and holds 75 publicly traded companies chosen for their high dividend yields, following the **S&P/TSX Composite High Dividend Index**. The fund's asset allocation breakdown is mostly geared towards the energy sector, accounting for 33.10% of its holdings.

The financial sector accounts for its second-largest asset allocation at 28.06%. The utilities and communications sectors are third and fourth, with an asset allocation of 14.10% and 14.07%, respectively.

XDV ETF tracks the performance of the **Dow Jones Canada Select Dividend Index**. The fund allocates its AUM to a narrower basket of 30 publicly traded companies. The fund's asset allocation is concentrated largely on the financial sector, which makes up 54.50% of its entire holdings.

The utilities sector comes in second, accounting for 12.07% of its asset allocation, and the communications sector accounts for 12.02% of its asset allocation.

Foolish takeaway

Most investors consider investing in ETFs due to the diversification they offer in the form of a single investment product. If I had to choose between XEI ETF and XDV ETF, XEI would make the cut.

XDV ETF might come with a more significant focus on energy stocks, but it offers you exposure to a greater number of dividend stocks than XDV ETF, which focuses more on financial sector stocks. However, investors with more faith in Canadian Dividend Aristocrats and not worried about a narrower pool of high-quality dividend stocks could still consider XDV as an excellent investment.

CATEGORY

1. Dividend Stocks
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