3 Tech ETFs to Buy in 2022

Description

Tech is one of the most vibrant and energetic sectors there is. It's prone to rapid rises and drastic falls, and in the right market, this volatility favours the investors. There is even a way to mitigate the negative impact of the volatility. By investing in tech ETFs, you can spread out the risk associated with specific market segments/industries within the tech sector.

There are a lot of tech ETFs that you can invest in, especially at the current discounted price. Three of them stand out from the others, and two of them offer a decent exposure to the biotech segment of the healthcare sector.

A Blackrock ETF

iShares Exponential Technologies Index ETF (TSX:XEXP) is the newest ETF on this list and joined the TSX in April 2022. Its U.S. counterpart has been around since 2015. The idea behind the index the ETF follows is to invest in new technologies that have the potential the displace existing ones and disrupt the market.

And since it covers a decent number of holdings (189), even a small number of underlying securities breaking out by a significant margin can pull the entire ETF up to new heights. It still carries a medium-risk rating, which makes it a relatively safe investment, especially considering its disruptive nature.

About two-thirds of the weight comes from U.S. companies, and the rest comes from nine other companies. It also offers decent bio-tech exposure to its investors.

The Canadian ETF doesn't offer adequate performance data yet to draw any meaningful conclusions, but from the U.S. version, we can gauge that the ETF can offer capital appreciation at a powerful pace.

A Horizons ETF

Another ETF with over 22% of the weight made up of biotech companies is **Horizons Global BBIG Technology ETF**

(TSX:BBIG). It also offers adequate exposure to the secondary battery industry and the gaming industry, though the former has a much higher probability of breaking out at an exponential rate as the EV market matures.

This mix offers a very different exposure to the tech sector than the more conventional NASDAQ-based exposure.

It has been around since April 2021, and, so far, has seen more decline than growth. That can be associated with the tech sector slump across global markets, especially the U.S., which makes up the bulk of the sector.

It carries an MER of 0.55%, which is high for an ETF per se, but if even two out of four segments (biotech and battery) start growing at a rapid pace, the ETF might see unprecedented levels of growth — enough to justify the higher fee. That's assuming the other two aren't weighing it down.

A TD ETF

A slightly more conventional tech ETF is **TD Global Technology Leaders Index ETF** (TSX:TEC). It follows the Solactive index for global tech leaders and is currently made up of 286 holdings. This doesn't paint an accurate picture of how the ETF weight is distributed, as just three tech giants, i.e., **Apple**, **Microsoft**, and **Amazon**, make up about one-third of the total weight of the ETF.

The portfolio *is* geographically diversified, but it's, again, tilted quite heavily towards U.S.-based securities, which make up about 85% of the weight. Since its inception in May 2019, the stock has risen about 40%, which includes the recent 32% decline. From inception to peak, the ETF has enjoyed a powerful growth of about 110% in two-and-a-half years.

Foolish takeaway

Even with their slightly higher fees, the three funds are significantly cheaper than mutual funds. The ETF vs. mutual funds debate often focuses on the additional growth potential that actively managed mutual funds promise (at a higher fee). However, in the right market, you might be hard-pressed to find mutual funds that offer growth potential superior to these tech ETFs.

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1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:TEC (TD Global Technology Leaders Index ETF)

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