2 Cheap Tech ETFs to Buy the Dip With

Description

The first half of 2022 was absolutely brutal for growth stocks, especially those from the previously high-flying technology sector. From rising interest rates, high inflation, supply chain issues, and disastrous earning reports from FAANG companies, there was no shortage of volatility-inducing negative catalysts.

With this in mind, it's important to remember the old saying: "Be greedy when others are fearful and fearful when others are greedy."

Investors are great at piling in during a bull market, but few have the courage to buy beaten-down stocks during a correction. For this reason, the U.S. (and global) tech sector dip could be a great buy right now, especially using an exchange-traded fund (ETF).

Option #1: Double down on FANGMA

The recent tech and growth stock correction was brutal for the FANGMA cohort of **Meta Platforms** (Facebook), **Amazon**, **Netflix**, **Alphabet, Microsoft**, and **Apple.** Many of these once top stocks are now trading significantly below their 52-week highs.

Investors looking to buy these can exchange CAD for USD, but this approach comes with high fees and currency risk. A better way is to buy an ETF that can offer you instant, capital-efficient, and cheap exposure to the FANGMA cohort, such as **Evolve FANGMA Index ETF** (TSX:TECH).

TECH holds an underlying "basket" of stocks — in this case, the six FANGMA stocks in roughly equal weights. When you buy a share of TECH, you're therefore buying the underlying FANGMA stocks. If the FANGMA stocks increase in value overall, TECH's share price will also increase, and vice versa if they fall.

TECH currently has a management expense of 0.40%, which is high but typical for a thematic fund. The management expense ratio (MER) is yet unknown, as trading, tax, and turnover costs haven't been determined yet but shouldn't be too far off.

Option #2: Buy global tech stocks

TD Global Technology Leaders Index ETF (TSX:TEC) currently holds a total of 295 global tech stocks, with a concentration in North American equities. The ETF tracks the Solactive Global Technology Leaders Index and costs a management expense ratio of 0.39%.

85% of TEC is in U.S. large-cap tech stocks such as Apple, Microsoft, Amazon, **Tesla**, Alphabet, **NVIDIA**, and Meta Platforms, while the remaining 15% comes from large-cap stocks in Europe, Japan, and Canada. TEC is still a bet on U.S. tech stock outperformance, but with the ability to participate in returns from international stocks.

Compared to TECH, TEC offers much greater diversification, as it is not as concentrated in six mega-cap stocks or just the U.S. stock market. As a result, investors have flocked to TEC. The ETF is highly liquid and has attracted $1.29 billion in assets under management, with a good volume traded daily.

The Foolish takeaway

Investors still bullish on the tech sector can buy TECH or TEC for concentrated exposure. However, be aware that this is a high-risk, high-reward play.

While it is unlikely that the tech sector will go bankrupt, there is a chance that it can crash further and underperform for years, like during the dot-com bubble. This is a very real risk that has occurred before.

Therefore, if you want to buy the dip, be prepared for high volatility. However, the present correction has been substantial, and buying now could be a great way to lock in a low-cost basis.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:TEC (TD Global Technology Leaders Index ETF)
2. TSX:TECH (Evolve FANGMA Index ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. tdong

Category

1. Investing
2. Tech Stocks

Date
2025/07/21
Date Created
2022/07/11
Author
tdong