



How to Invest in Gold and Water Using ETFs

Description

When most investors think about [exchange-traded funds](#) (ETFs), its generally in the context of [index funds](#), like those that track the S&P 500 or NASDAQ 100 stock market indexes. Index ETFs represent a [passive investment strategy](#), meaning that the fund manager is not actively trying to pick stocks.

However, ETFs can track more than just stock market indexes. They can also provide exposure to bonds, commodities, and precious metals. They can track specific stock market sectors, such as technology, energy, or financials. They can also track “thematic” investment ideas, like clean energy, disruptive technology, fintech, or genomics.

Today, I’ll be reviewing two interesting ETFs from **iShares** that provide investors with easy exposure to gold and water stocks. If you’ve ever considered investing in these, keep reading!

Investing in gold ETFs

A small allocation to gold in an investment portfolio has numerous benefits, including reduced volatility thanks to its low correlation with stocks and bonds and inflation protection. Gold has traditionally been a store of value and safe-haven asset for investors seeking protection from currency devaluation (like hyper-inflation) and geopolitical risk (like war).

Instead of buying physical gold bullion (which is expensive in terms of storage and insurance costs), Canadian investors can buy a gold ETF like **iShares Gold Bullion ETF** ([TSX:CGL](#)). When you buy shares of CGL, your money is invested into a vault of gold bars stored in trust with a custodian and audited frequently. In return, you pay a management expense ratio (MER) of 0.55%.

Investing in water ETFs

Water has several characteristics that make it desirable as an investment: it is scarce with a finite supply, it can be owned and controlled by private parties, and it can be sold. However, investing in water directly is difficult. While institutional investors can use derivatives like futures contracts, retail

investors can't. Storing water in your shed isn't an option either. The solution here is an ETF that holds water stocks.

My ETF of choice here is **iShares Global Water Index ETF** ([TSX:CWW](#)), which passively tracks the S&P Global Water Index. CWW holds a portfolio of 50 global water industry stocks that comprise utilities, infrastructure, materials, and equipment companies. Around 51% of the underlying stocks held are from the U.S., 15% from the U.K., and 9% from France. CWW costs a MER of 0.66%.

The Foolish takeaway

Investing in gold and water is an active strategy. Before you buy either of these ETFs, go through your reasons for wanting to do so and assess if it's prudent given the current market environment. By buying CGL or CWW, you're making an explicit bet that either will outperform the market. Over the long run, there may be periods of underperformance or unrealized losses, so ensure you can accept this. Neither ETF is diversified, and both are best used as a complement to a already well-rounded stock portfolio.

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