



2 ETFs That Will Pay You Dividends Every Month!

Description

Dividend stocks are great investments under normal market conditions, because they generate passive-income streams. However, newbie investors might find stock investing quite risky in the current environment. The **TSX** continues to tumble after every sporadic rally due to stubborn inflation and multiple rate hikes.

For first-timers with low-risk tolerance, choosing individual stocks could pose a problem. Fortunately, there are [alternative options for risk-averse investors](#). An exchange-traded fund (ETF) trade like regular stocks, but it's a fund with a collection or [mix of assets](#), including stocks, bonds, ETFs, and others.

Among the ideal ETFs for beginners today are **BMO Canadian Dividend ETF** ([TSX:ZDV](#)) and **iShares Canadian Select Dividend Index ETF** ([TSX:XDV](#)). Besides instant diversification and professional management of the funds, the pair of ETFs pay monthly dividends. The annual dividend yields are 4.13% and 4.35%, respectively.

Rules-based methodology

BMO Global Asset Management (BGAM) manages BMO Canadian Dividend ETF. BGAM designed ZDV to provide exposure to a yield-weighted portfolio of Canadian dividend-paying stocks. The fund also utilizes a rules-based methodology to select securities. Each security is also subject to a liquidity screen process.

The fund's exposure is to high-dividend-paying TSX stocks, and it aims to deliver sustainable income and capital growth to would-be investors. When selecting the securities, ZDV takes into account the three-year dividend-growth rate, yield, and payout ratios of the Canadian companies.

About 99.87% of ZDV's holdings are stocks. As of this writing, the fund has positions in 51 dividend-paying stocks. Eight of the TSX's 11 primary sectors have representations. The fund has zero holdings in the healthcare, real estate, and technology sectors. Heavyweight sectors like financial (38.55%) and energy (16.68%) have the most significant percentage weights.

The top three stock holdings are industry or sector leaders. You'd be owning **Royal Bank of Canada** (5.06%), **Enbridge** (5%), and **BCE** (4.89%) in one basket. Other holdings include the rest of the big banks and oil majors. If you invest today, the share price is \$19.39.

Limited but diverse exposure

The difference between iShares Canadian Select Dividend Index ETF and BMO Canadian Dividend ETF is the limited but diverse exposure. XDV only holds 30 of the highest-yielding Canadian companies in the Dow Jones Canada Total Market Index. BlackRock, the fund manager, also uses a rules-based methodology analysis or approach.

XDV's investment objective is to provide long-term capital growth to investors by replicating the performance of the Dow Jones Canada Select Dividend Index. The exposure breakdown is similar to ZDV, as there are no holdings in the healthcare, real estate, and technology sectors.

However, the holdings in the financial sector (54.21%) are very significant. The next two sectors with the most percentage weights are utility (12.81%) and communication services (12.25%). Energy stocks comprise only 4.75% of the total holdings.

The top three holdings are **Canadian Imperial Bank of Commerce** (7.37%), **Canadian Tire** (6.57%), and **Bank of Montreal** (6.44%). XDV (\$27.22 per share) trades slightly higher than ZDV but pays a higher dividend.

Reduce market risk

ZDV and XDV are ideal options if you're new to the stock market or have little expertise. The broad ownership or exposure to various sectors reduce market risk. More importantly, the diversified ETFs pay monthly dividends if you need extra income today.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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1. TSX:XDV (iShares Canadian Select Dividend Index ETF)
2. TSX:ZDV (BMO Canadian Dividend ETF)

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