Choose These 3 ETFs to Build a Portfolio

Description

Stock picking is not an easy task. There's a lot of reading that needs to happen often if you want to stay on top of all the companies you hold. Generally, a good number of companies to hold for a starter portfolio is between 10 and 20. This will reduce the volatility in your portfolio if one were to drop significantly.

However, if spending time to pick 10 to 20 companies and having to keep up with them is unappealing to you, then you do have other options.

The most common way to avoid having to actively follow the market is to invest using exchange traded funds (ETFs). Simply put, these are a basket of stocks, akin to mutual funds, that trade on stock exchanges. Larger ETFs often track indices (e.g., **Toronto Stock Exchange, NASDAQ**, etc.), while more specialized ETFs will track sectors or a specific type of company (e.g., those that focus on artificial intelligence).

Take advantage of the growth in the American market

The first ETF I would consider getting would be the **Vanguard S&P 500 Index** (TSX:VFV). The American stock market is a powerhouse for growth stocks. The **S&P 500** tracks the performance of 500 top companies trading in the United States. By investing in this ETF, you not only gain exposure to all the big tech stocks (e.g., **Facebook**, **Amazon**, **Microsoft**, **Apple**, **Google**), but also to companies in other sectors (e.g., **Procter & Gamble**, **Visa**, **AT&T**).

Holding this ETF does provide you a dividend, which is distributed quarterly. The fund currently has a dividend yield of about 1.3%. Since the fund's inception, it has produced an annualized rate of return of just over 17%. This ETF would provide exposure to growth stocks and would be an excellent foundation to a portfolio.

Add companies you're familiar with

The next ETF to consider adding to your portfolio would be the **iShares Core S&P/TSX Capped Composite** (TSX:XIC) by **BlackRock**. As the name suggests, this ETF tracks the performance of the leading companies listed on the Toronto Stock Exchange. As of this writing, there are a total of 229 companies included in the ETF.

Some of the largest companies by market cap in Canada are the Big Five Banks, which is reflected in this ETF. The Big Five Banks account for just about 19% of the fund's assets. However, this ETF does give you exposure to other leading companies such as **Shopify**, **Canadian National Railway**, **Brookfield Asset Management**, and **Telus**.

This ETF also distributes a dividend every quarter with a dividend yield of about 2.7%. Since this fund's inception, its annualized rate of return is about 6%. The addition of this ETF into your portfolio would give you exposure to Canada's top companies and provide stability to your portfolio.

Don't neglect international growth

The final ETF to consider is the **iShares Core MSCI Emerging Markets IMI Index** (TSX:XEC). This ETF tracks the performance of leading companies within emerging markets worldwide, including: China, south Asia, and South America. This ETF would provide exposure to companies such as: **Alibaba**, **Tencent**, **Taiwan Semiconductor Manufacturing**, **Samsung**, and **Gazprom**.

Like the previous two ETFs, this fund distributes a dividend although it is semi-annually. Its dividend yield is just about 5%.

It is important to note, that the version of this fund that trades on the Toronto Stock Exchange does not hold the companies directly. Rather, it holds the equivalent fund which trades on the NYSE Arca. Holding this fund would be wise given the amount of growth happening outside North America.

As stated in my article on the **Bank of Nova Scotia**, regions in South America are projected to grow at a much faster rate in the coming years than Canada and the United States.

Foolish takeaway

While I think some combination of these three ETFs would be great to have, there are so many ways you can go about this. As I stated earlier, this strategy of holding ETFs gives you exposure to a vast number of companies, reducing volatility and allowing you to take more of a hands-off approach to investing.

If you enjoy the prospect of a "set it and forget it" investing strategy, consider building a portfolio out of ETFs.

CATEGORY

1. Investing

POST TAG

1. canada
2. dividend
3. dividend stock
4. ETF
5. investing
6. market
7. Stocks
8. tsx index

TICKERS GLOBAL

1. TSX:VFV (Vanguard S&P 500 Index ETF)
2. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Investing

Tags

1. canada
2. dividend
3. dividend stock
4. ETF
5. investing
6. market
7. Stocks
8. tsx index

Date
2025/07/03
Date Created
2020/06/25
Author
jedlloren