

# Episode 9

ETF Strategy

Saturday February 8, 2025

# Episode 9 - ETF Strategy

## **On This Week's Episode - Saturday February 8th**

- ETF's vs Mutual Funds.
- Managing Risk - How to rate ETF's by risk inside your portfolio.
- How to diversify within ETF's.
- View our weekly stock example - Fortis pulled at random from our portfolio.
- Headline from the investing news.
- Closing thoughts for next week

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At EI Personal Finance we focus on providing straightforward tools to manage your wealth planning.

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We are everyday investors with a track record of building wealth using easy to use dashboards to ensure you are on course to achieve your long term investing goals.

Our Thirty Minute Drill delivers an immediate view of all assets and a scorecard to consistently track your results.

We help you take control of your investments and reduce fees that erode your long term returns.

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# Episode 9 - ETF Strategy

Factor	ETFs	Mutual Funds
<b>Trading</b>	Traded like stocks, real-time pricing	Traded at NAV, after market close
<b>Management Style</b>	Mostly passive, but some active ones	Active or passive
<b>Fees</b>	Lower expense ratios, no sales loads	Higher fees, especially active funds
<b>Investment Min.</b>	No minimum beyond cost of 1 share	Often have minimum investment amounts
<b>Tax Efficiency</b>	Generally more tax-efficient	Less tax-efficient
<b>Dividend Reinvest</b>	Optional (DRIP available)	Automatic reinvestment available
<b>Transparency</b>	High (daily updates)	Low (quarterly updates)
<b>Suitability</b>	Best for flexibility & lower costs	Best for long-term, hands-off investors

**ETFs** are more suitable for investors looking for flexibility, lower costs, and tax efficiency, especially for those interested in passive investing.

**Mutual Funds** are ideal for long-term investors who prefer professional management and don't mind paying higher fees for that service.

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## Low-Risk ETFs:

1. **BMO Aggregate Bond Index ETF (ZAG):** This Canadian ETF offers exposure to a diversified portfolio of Canadian investment-grade bonds, providing stability and income with lower volatility.  
[milliondollarjourney.com](http://milliondollarjourney.com)
2. **Vanguard Canadian Short-Term Bond Index ETF (VSB):** Invests in short-term Canadian government and corporate bonds, aiming to minimize interest rate risk while offering modest returns.

## Moderate-Risk ETFs:

1. **iShares Core S&P/TSX Capped Composite Index ETF (XIC):** Tracks the performance of the S&P/TSX Capped Composite Index, representing a broad cross-section of Canadian equities.  
[milliondollarjourney.com](http://milliondollarjourney.com)
2. **Vanguard FTSE Global All Cap ex Canada Index ETF (VXC):** Offers exposure to a wide range of global equities, excluding Canadian companies, providing diversification across developed and emerging markets.

## Higher-Risk ETFs:

1. **Fidelity Advantage Bitcoin ETF (FBTC.TO):** A Canadian ETF that invests directly in Bitcoin, offering high potential returns but with significant volatility.  
[tradethatswing.com](http://tradethatswing.com)
2. **iShares China Index ETF (XCH.TO):** Provides exposure to Chinese equities, which can be volatile due to market and geopolitical factors.  
[tradethatswing.com](http://tradethatswing.com)
3. **Invesco QQQ Trust (QQQ):** Tracks the Nasdaq-100 Index, focusing on the largest non-financial companies in the Nasdaq stock market, often with higher growth potential and volatility.
4. **Vanguard FTSE Emerging Markets All Cap Index ETF (VEE):** Invests in a broad range of emerging market equities, offering higher growth potential but also increased risk due to market instability.

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Asset Class	ETF	Allocation (%)	Risk Level
Canadian Equities	iShares Core S&P/TSX Capped Composite ETF (XIC)	25%	Moderate
U.S. Equities	Vanguard S&P 500 ETF (VOO)	25%	Moderate
International Equities	Vanguard FTSE All-World ex Canada ETF (VXC)	15%	Moderate to High
Emerging Markets Equities	iShares MSCI Emerging Markets ETF (XEC)	10%	High
Canadian Bonds	BMO Aggregate Bond Index ETF (ZAG)	15%	Low to Moderate
Global Bonds	Vanguard Global Bond Index ETF (VBG)	10%	Moderate
High Yield Bonds	iShares iBoxx \$ High Yield ETF (HYG)	5%	Moderate to High
Canadian Real Estate	iShares S&P/TSX Capped REIT Index ETF (XRE)	5%	Moderate
Commodities	iShares S&P GSCI Commodity ETF (GSG)	5%	High

A sample ETF portfolio allocation.

Mix depends on risk tolerance and time Horizon.



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## **How Does this Relate to the 30-Minute Drill:**

- We are constantly monitoring our quarterly success against objectives.
- Our investing trajectory includes ETF's as part of “steady Eddie” approach.
- Passive, low cost investments with a modest dividend will grow over time and should be set it and forget it.

## **Names We Like**

- XAW, VCN and XIU. Also like S&P and QQQ ETF's to maintain growth mindset.
- XAW captures some of the international market, but adding a Europe and Japan fund would be positive.
- VCN and XIU perform very similarly in the Canada market and given the last five years of market underperformance, due to improve.

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**February 8, 2025**

Review the Master Spreadsheet

Review YTD Results in the Sample Portfolio

Discuss a Headline in the Financial News



# Episode 9 - ETF Strategy

February 8, 2025

## Review the Master Spreadsheet

2021 Jan 1				
Non Registered - TFSA, Canadian Margin, US Margin	Total Value	Cash	Invested	% Cash
Cash Accounts	\$5,000	\$5,000	\$0	0
CDN Margin	\$15,000	\$1,000	\$24,000	7%
US Margin	\$15,000	\$1,000	\$24,000	7%
TFSA	\$80,000	\$0	\$100,000	0%
Totals	\$115,000	\$7,000	\$108,000	6%
Registered - RRSP/RESP	Total Value	Cash	Invested	% Cash
RRSP+Commuted Pension \$	\$250,000	\$5,000	\$295000	2%
Totals	\$250,000	\$5,000	\$295000	2%
Grand Total All	\$365,000	\$12000	\$403000	3%
House Value	\$400,000			
Auto Values	\$20,000			
Other Assets	\$55,000			
Total of All Assets	\$840,000			
Total Liabilities	\$275,000			
Total Assets Net Liabilities	\$565,000			
Available TFSA Contribution	\$5,000			
Available RRSP Contribution	\$5,000			
Forecasted Investment Income				
USD CAD =	1.33			
Mortgage Rate	4.5%			

Key Data::

Non-Registered Accounts - YTD Returns = 32%; Profit/Tax Loss Harvesting Plans; Adding safety in fixed income 5% overall?, reducing total names for 2025.

Registered Accounts - RRSP Contribution room to Feb, 2025, adding safety in fixed income?, Reducing total names - shift out of mediocre names.

Other Assets:

- Home - Value of Home
- Autos - Value of Autos
- Other - List with values

Debt:

- Mortgage - Total amounts owing
- Line of Credit - Total amounts owing
- Auto Loans - Total amounts owing

USD/CAD - Document for Quarter

Mortgage Rates - Document for Quarter

LOC Rates - Document for Quarter

TOTAL ASSETS LESS LIABILITIES - QoQ and YoY Growth/Decline

Highlight Contributors to Growth or Decline

Achieved 20% Cash Last Week

# Episode 9 - ETF Strategy

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## Review YTD Results

Key Data::

10 Year Returns - US Margin 256%; Canadian Margin 87%; Canadian Registered: 56%

5 Year Reruns - US Margin 146%: Canadian Margin 46%; Canadian Registered 32%

US Markets driving overall portfolio growth including USD at 1.41 CAD.

Top US Names: Apple, JP Morgan and

Top Canadian Names: TC Energy, Royal Bank of Canada, XAW ETF, and Couche Tard

What are we looking at:

Profit taking in Q1 to harvest some gains.  
Adding fixed income as % of overall portfolio - Bull run has been great and we fully participated.  
Adding to laggards with positive financials.

Other:  
Alibaba Rollercoaster  
Bell Canada Disaster  
TD Bank Struggles

Quarterly Top Three Account Performance and Activity - Thom's Sample

Returns and Top/Bottom Equities	US Margin	Action	Can Margin	Action	RRSP	Action
10 Year Return	256%	Target 97%	83%	Target 97%	59%	Target 110%
5 Year Return	143%	Target 40%	53%	Target 40%	28%	Target 48%
Top Three						
1						
2						
3						
Bottom Three						
1						
2						
3						
Other Holdings						
ETF's Listed Above						
Considering						
Other Notes	Returns do net reflect dividend income; Canada market assumed to “catch up” some of gap to USA over next three years, USD to fall back once USA drops interest rates in line with EU and other G7 countries, ETF participation with Vanguard or Blackrock but looking at adding others. Portfolios structured to include Transports, Pharma, Telecom, Tech, Financials, Energy and Technology. Moving to 25% ETF to capture broader market while maintaining top names by sector where possible.					

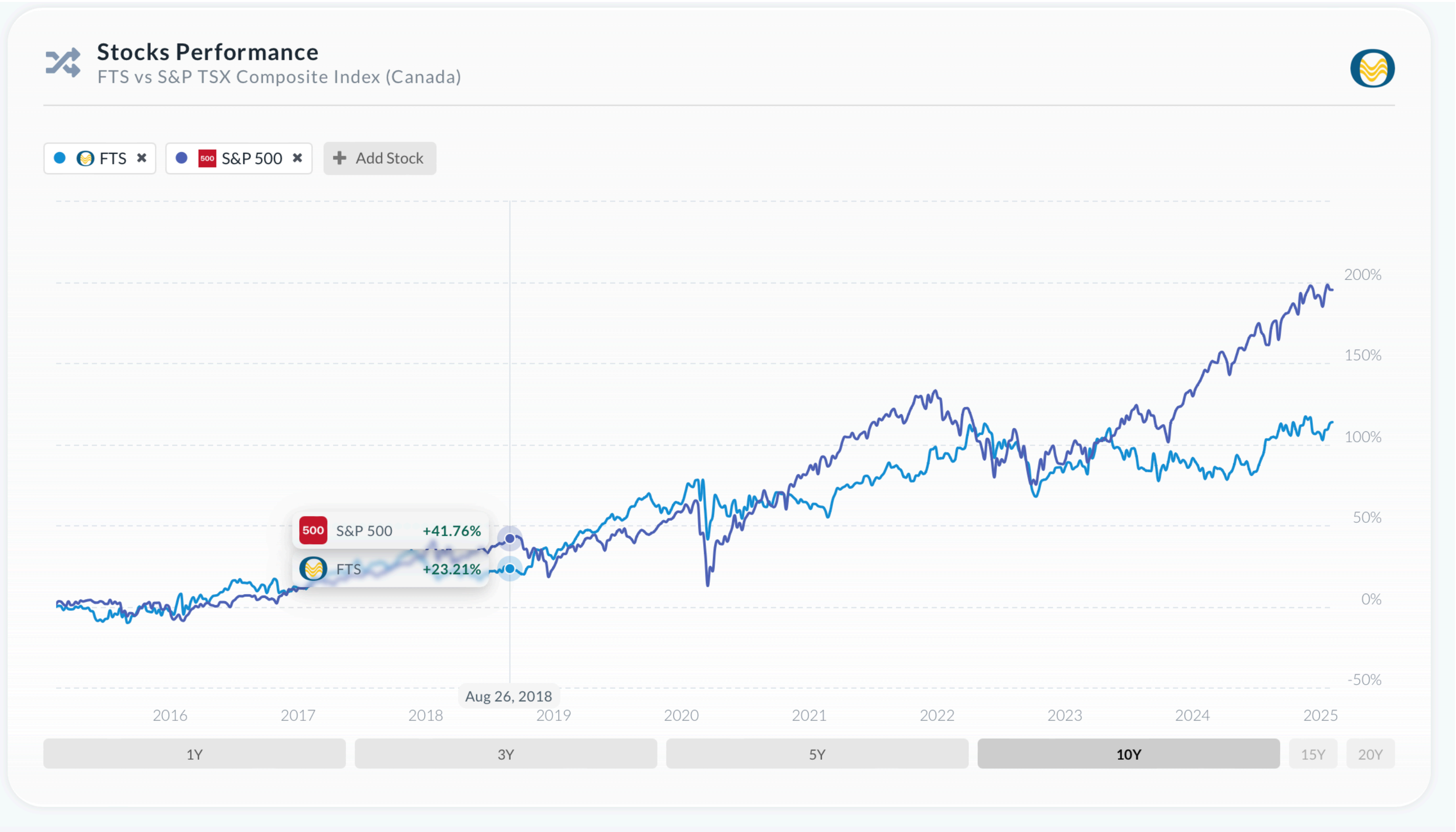
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## Pick A Stock - Fortis

Steady performing utility stock  
Long term performance 50% of S&P  
Large part of gap in last two years.  
Cyclical energy dips but overall,  
strong performer.





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## February 8, 2025

### Pick A Stock - Fortis

Growth Analysis	GAAP Data					Growth Rates		
	2019	2020	2021	2022	2023	1-Year	3-Year	5-Year
Revenue (B)	6.6	7.0	7.5	8.3	8.6	3%	22%	35%
Gross Margin	71%	71%	69%	64%	67%	5%	-6%	-4%
Operating Income (B)	1.9	2.0	1.9	2.1	2.3	12%	16%	29%
Interest Expense (M)	781.0	819.2	791.5	824.8	968.9	17%	18%	32%
Pre Tax Income (B)	1.6	1.3	1.3	1.3	1.5	14%	21%	41%
Net Income (B)	1.3	1.0	1.0	1.0	1.2	12%	17%	33%
EPS	2.85	2.04	2.06	2.08	2.30	11%	13%	18%
Dividend/Share	1.38	1.52	1.62	1.62	1.70	4%	11%	31%
Shares Outstanding (M)	330.2	365.9	372.0	358.5	361.2	1%	-1%	13%
Market Cap (B)	13.7	14.9	17.9	14.4	26.0	81%	74%	143%
Book Value (B)	2.75	3.14	3.63	4.04	4.59	14%	46%	417%

Financial Condition	GAAP Data					Growth Rates		
	2019	2020	2021	2022	2023	1-Year	3-Year	5-Year
Cash / Short Term Inv. (M)	279.2	195.8	103.4	156.4	464.0	197%	137%	86%
Current Assets (B)	1.9	2.1	2.2	3.2	3.0	-6%	46%	22%
Current Liabilities (B)	3.2	3.3	3.8	5.0	4.4	-11%	36%	38%
Working Capital (B)	-1.2	-1.2	-1.6	-1.8	-1.4	NM	NM	NM
Short-Term Debt	907.1M	1.1B	1.5B	2.0B	1.8B	-12%	65%	141%
Long Term Debt (B)	16.2	18.2	18.7	19.4	20.2	4%	11%	16%
Total Debt (B)	17.5	19.5	20.5	21.7	22.3	3%	14%	19%
Shareholders Equity (B)	14.0	14.7	15.2	15.7	16.0	1%	9%	28%

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### Fortis

Argus Rating:	BUY
Rating Since: 05/29/24	
Current Price:	\$42.77
Target Price:	\$47.00
Market Cap:	\$21.4 billion
Dividend:	\$1.72
Yield:	4.0%
Beta:	0.15
Sector:	Utilities
Industry:	Electric Utility

Buy Rating with Upside to Price

Strong Dividend with History of Increases

Low risk and long term hold

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## February 8, 2025

Weekly Headline

## Canadian investors, do you really want to hold U.S.-listed ETFs?



**ROB CARRICK** > PERSONAL FINANCE COLUMNIST

PUBLISHED 7 HOURS AGO



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