



The 101 best ETFs for 2026: The Globe and Mail's definitive guide

NORMAN ROTHERY

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We're pleased to present the 2026 buyer's guide to exchange-traded funds. It highlights 101 of the best ETFs in Canada, building on our past efforts.

We begin with investing on "easy mode" using low-cost ETFs that track broadly diversified portfolios of stocks and bonds. They provide a handy and effective way to capture market returns and are well-suited to novices and experts alike.

The guide then travels deeper into the markets to examine ways to optimize, extend, and customize portfolios. It includes specialized strategies and explores interesting market niches ranging from popular dividend and factor portfolios to actively managed ETFs.

Generally speaking, we prefer ETFs with at least five years of market history and ideally those that lived through the stock-market crash of 2020. We also favour ETFs that trade frequently with high average volumes, with low average bid-ask spreads, and modest average premiums to net asset values. Their returns, volatilities and past performance also factor into the mix. You can examine data for each of our top ETFs in the table below and a wider selection of large ETFs, with at least three years of trading history in this article:

<https://www.theglobeandmail.com/investing/markets/inside-the-market/article-the-globe-and-mail-2026-top-etf-guide-chart/>

We hope you'll enjoy this year's guide and discover a few ETFs for your portfolio along the way.

Investing on easy mode

Most investors should start with, and stick with, low-cost, broadly diversified and balanced ETFs. The idea is to buy a core long-term portfolio that's good for novices, which they'll learn to love over the years.

Our easy-mode portfolios put about 60 per cent of their assets in stocks and 40 per cent in bonds, which balances out the growth opportunities of the global stock market with the relative stability of bonds.

The Bank of Montreal's Balanced ETF (ZBAL-T **+1.14%**) wins our easy-mode prize this year. The portfolio puts about 30 per cent of its money in U.S. stocks, 27 per cent in discount Canadian bonds (to improve tax efficiency), 15 per cent in Canadian stocks, 12 per cent in hedged U.S. bonds, 10 per cent in international stocks and 6 per cent in emerging market stocks – based on data at the end of April.

Low fees power the magic behind the indexing phenomena and exchange-traded funds in particular. The BMO Balanced ETF recently reduced its annual fee (management expense ratio, or MER) to an estimated 0.17 per cent. On the other hand, traditional balanced mutual funds often charge annual fees in excess of 1.7 per cent, which is more than 10 times as expensive as the ETF.

In a world where a good balanced portfolio might be expected to have long-term annual returns between 5 per cent and 10 per cent before fees, a 1.7-per-cent annual fee would eat up between 17 per cent and 34 per cent of its gains whereas the ETF's lower fee might nibble between 1.7 per cent and 3.4 per cent of its gains. The low-fee advantage can really compound over the years.

We're tempted to say that novice – and nearly all – investors should start with, and stop with, the BMO Balanced ETF.

Balancing the alternatives

Our favourite balanced ETFs can be found atop the table below with BMO's Balanced ETF leading the list. But the iShares Core Balanced ETF (XBAL-T **+0.98%**) and Vanguard Balanced ETF (VBAL-T **+1.13%**) are also good choices and offer broadly similar portfolios.

The three balanced ETFs enjoyed average annual returns over the past five years of about 8.8 per cent with volatilities near 8.2 per cent. The latter is a gauge of the variability (standard deviation) of an ETF's daily total returns over the past year.

We also investigate each ETF's performance in two market crashes. The first is the stock-market crash that occurred in early 2020 during the COVID-19 pandemic. It spans the period from the Canadian stock market's high on Feb. 20, 2020, to its bottom on March 23, 2020, based on the daily total returns of the S&P/TSX Composite Index. The second downturn occurred in the bond market (as measured by the S&P Canada Aggregate Bond Total Return Index), which fell from a high on June 1, 2021, to a low on Oct. 21, 2022, thanks to a spurt of inflation.

The three balanced ETFs fell by about 20.4 per cent during the COVID-19 crash and they gave up roughly 9.2 per cent during the bond bust.

The fourth balanced portfolio on our list is a bit more exotic because the Fidelity All-in-One Balanced ETF (FBAL-NE **+0.85%**) is actively managed and holds a small (2-per-cent) allocation in cryptocurrencies. Its annual MER is a bit higher than the others at 0.41 per cent, but the ETF outperformed over the past five years with average annual returns of 10.4 per cent. It began life after the stock-market crash of 2020, but its recent volatility is similar to the other balanced ETFs and it performed better during the bond bust.

Going for growth or savouring stability

While balanced ETFs are grand, some investors prefer to lean more heavily toward stocks in an effort to boost their returns while taking on the risk of being disappointed. They might appreciate the growth versions of the balanced ETFs, which are shown in the table. They invest in similar underlying assets while putting about 80 per cent of their money in stocks and 20 per cent in bonds.

Risk-averse investors might lean in the other direction and opt for conservative versions of the balanced funds. The conservative ETFs put about 60 per cent of their money in bonds and 40 per cent in stocks.

Notice that the growth ETFs have volatilities of roughly 10.4 per cent, which is up from about 8.2 per cent for the balanced funds. On the other hand, the conservative versions of the funds have volatilities near 6.3 per cent. It's a big reason why squeamish investors gravitate to the latter. Mind you, bonds aren't risk-free and can suffer during inflationary periods.

Investors who want to cast bonds aside and risk it all in the stock market – or those who simply want to add a little more equity exposure to a balanced portfolio – can buy global stock portfolios from iShares, Vanguard and Fidelity ETFs with tickers XEQT-T, VEQT-T and FEQT-T, respectively. The volatilities of the global-stock ETFs average 11.7 per cent. The first two fell by roughly 30 per cent in the stock-market crash of 2020 and the third was launched after the crash.

A buffet of bonds

Investors seeking shelter in bonds should start with the broad-market Canadian bond ETFs in the accompanying table. They typically have annual fees below 0.11 per cent and hold a mix of Canadian government bonds (federal, provincial and municipal) and corporate bonds. Their portfolios currently have average durations of about 6.8 years and average yields to maturity near 3.7 per cent. (Duration is a measure of interest-rate sensitivity with a one-percentage-point increase in rates expected to lead to a price decline of about 7 per cent for a bond with a duration of seven years.)

Broad-market bond ETFs aren't without risk and the ones we follow declined between 13 per cent and 13.7 per cent in the bond crash. Alas, they haven't provided much in the way of returns over the past five years with average annual gains near 0.7 per cent. More positively, their recent volatilities are modest at between 4.1 per cent and 4.8 per cent.

We also highlight more specialized bond ETFs that narrow in on government bonds for risk-averse investors or corporate bonds for those who don't mind taking on more credit risk in an effort to generate higher returns.

The iShares and Vanguard Canadian Corporate Bond ETFs (XCB-T and VCB-T **+0.37%**, respectively) have shorter durations than the broad market bond funds, slightly lower volatilities over the past year, and gained an average of about 2.3 per cent annually over the past five years. Mind you, they fared poorly in the stock-market crash of 2020 when stability would have been appreciated.

Those who don't want to take on as much duration risk can opt for the Vanguard or iShares short-term bond ETFs with tickers of VSB-T and XSB-T, respectively. They typically have durations of about 2.7 years and recent volatilities of near 2.2 per cent. While they held up better in the bond crash than their broad-market siblings, they still fell by roughly 6.3 per cent.

High interest savings ETFs round out the fixed-income side of the ledger. They invest in high-interest deposit accounts of Canadian banks and provide a handy place to park cash. (Most of the big banks also offer investment savings accounts via their brokerages that pay reasonable but usually slightly lower rates, with 1.8 per cent being common on Canadian deposits these days.)

Of note, investors with taxable accounts might be drawn to BMO's discount bond ETFs or Global X's corporate class ETFs, which are designed to provide more tax-efficient returns than regular bond funds.

Focusing geographically

It's easy to invest worldwide because if a country has an open stock market, an ETF probably tracks it.

We start with Canadian stock ETFs that track the broad market. For instance, the ubiquitous iShares Core S&P/TSX Composite ETF (XIC-T **+1.00%**) follows the S&P/TSX Composite Index, while the TD Canadian Equity Index ETF (TTP-T **+0.98%**) tracks the similar Solactive Canada Broad Market Index. Both hold hundreds of Canadian stocks.

The broad-market Canadian stock ETFs generated annual returns of roughly 15.7 per cent over the past five years with recent volatilities near 12.8 per cent. But they suffered from declines of about 37 per cent in the 2020 crash. Gulp!

We also highlight two ETFs that focus on large Canadian stocks. The iShares S&P/TSX 60 ETF (XIU-T **+0.79%**) is better suited to active traders owing to its high volume while the Vanguard FTSE Canada ETF (VCE-T **+0.96%**) is a better bet for almost everyone else thanks to its much lower annual fee.

In the U.S., many indexes cover the S&P 500 or similarly large stocks. The returns of the ETFs were about 16.8 per cent over the past five years while their recent volatilities came in near 12.2 per cent.

On the other hand, the iShares Core S&P US Total Market ETF (XUU-T +0.82%) tracks roughly 2,500 of the largest stocks in the U.S. making it more diversified than the other U.S. funds. Mind you, its returns trailed a bit from those of the large-stock U.S. ETFs in recent times.

(Investors should be aware that some index providers currently allow, or are about to allow, large newly listed stocks fast entry into their U.S. indexes, which could cost index investors dearly. It represents another, in an unusually long list of reasons, to be wary of the country and its markets at the moment.)

Moving internationally, we highlight five developed stock-market funds and three emerging-market funds. The former have generally been a little less volatile over the past year, while the latter's returns have lagged over the past five years.

It is important to point out that many of the aforementioned foreign ETFs have sister funds that are hedged to the Canadian dollar, providing stability against currency swings. While hedging increases costs, it might be worth paying the price for the peace of mind it brings.

Fun with factors

Factor and active ETFs invest in specialized segments of the market. For instance, we follow factor funds that focus on dividends, momentum, quality, value and volatility, in addition to those that take a multifactor approach.

Dividend ETFs lead our factor parade with the list split between Canadian dividend ETFs and their counterparts in the U.S. and internationally. The returns of the dividend ETFs vary substantially because they take different approaches to picking stocks. Some seek out high-yield stocks, while others might prefer stocks that have regularly increased their dividends over the years. But dividend stocks can also be found in the other factor portfolios, with the value and multifactor portfolios often favouring them.

Given the surge in gold and silver prices of the past few years, we include a couple of bullion funds on the list. Be aware of their sky-high volatilities and, perhaps, unsustainably strong recent returns.

Specialty funds tend to charge higher fees than broad-market ETFs and may swap stocks more frequently, which tends to increase trading costs and trigger capital-gains taxes (in taxable accounts.) Alas, the additional fees and costs might turn a market beating strategy into a losing one.

In addition, many of the factor ETFs have smaller followings and aren't traded as frequently as broad-market ETFs. Caution is always a must.

A top new ETF for 2026

We're pleased to award the Avantis CIBC All-Equity Asset Allocation ETF (CAGE-T +2.21%) as the top new ETF of the year. It's a factor fund that focuses on quality value stocks from across the world and it's managed by a team that includes former senior leaders from Dimensional Fund Advisors.

The components of the Avantis CIBC All-Equity ETF are shown in the table below along with the average valuation ratios of the stocks they hold, which are lower than those of their corresponding broad-market ETFs. It'll be interesting to see how the new ETFs fare over the long term.

Components of the Avantis CIBC All-Equity Asset Allocation ETF (CAGE)

NAME	SYMBOL	MEDIAN SIZE	AVERAGE YIELD	AVERAGE P/B	AVERAGE P/E	AVERAGE P/S	AVERAGE P/CF	HOLDINGS
Avantis CIBC Canadian Equity	CACE	72.73	2.26	2.55	20.31	2.09	12.10	302
Avantis CIBC U.S. All-Cap Equity	CAUS	206.74	1.27	3.79	25.70	2.09	14.65	1,788
Avantis CIBC International Equity	CADE	45.06	3.16	1.76	18.40	1.11	8.86	2,410
Avantis CIBC Global Small Cap Value	CASV	4.18	2.39	1.32	17.91	0.71	5.97	1,318
Avantis CIBC Emerging Markets Equity	CAEM	17.10	2.61	1.75	15.82		7.93	1,127

Notes: size=market capitalization in billions(\$), yield=dividend yield(%), P/B=price/book value, P/E=price/earnings,P/S=price/sales,P/CF=price/cash flow, holdings=number of stocks

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A world of risks

Our top ETFs represent a good starting point for further research. But be sure to understand each one, how it invests and what it invests in before adding it to your portfolio.

Experienced investors know that ETFs can be beset by a huge number of risks. For instance, a surge in inflation and interest rates could decimate bond ETFs, while also pinching stock ETFs. Similarly, stock markets occasionally suffer from crashes and we might be overdue for another big one. Catastrophic losses are possible.

Watch your step when trading ETFs – particularly those with low or unusual volumes – because they might be difficult to buy, or sell, in a timely and cost-effective way. (For the sake of disclosure, the author owns a few of the ETFs mentioned herein.)

We hope our buyers' guide leads you to a few good ETFs that might be suitable for your portfolio. Oh, and we weren't kidding about the wisdom of starting with, and sticking with, a good low-fee, broadly diversified and balanced ETF.

<https://www.theglobeandmail.com/investing/markets/inside-the-market/article-globe-and-mail-2026-guide-101-best-etfs-canada/>

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