

ROGERS digital media publishing Our sites

Canadian Business ONLINE
Your success is our business

The online home of: **MoneySense** **Canadian Business** **PROFIT**
READ > SUBSCRIBE > READ > SUBSCRIBE > READ > SUBSCRIBE >

My profile | Discussions | e-Newsletter | Blogs | RSS | Site map | Help SEARCH

MY CANADIAN BUSINESS
Enter Email Address
Enter Password
Sign in >>>
> Forgot my password
> Become a member now

MY CANADIAN BUSINESS
Quote Canada GO
Symbol Lookup GO
> My Portfolio
> Sign in >>>
> Gainers Losers Actives
> Mutual Fund Lookup
> Forgot my password
> Become a member now

MARKETS MANAGING INNOVATION TECHNOLOGY ENTREPRENEUR MY MONEY AFTER HOURS LISTS & MORE

XSP - better choice than US ETF's?

«HOME «CANADIAN BUSINESS.COM FORUMS «U.S. STOCKS

Welcome, Guest

Replies: **3** Pages: **1** → Last Post by: [optsyeagle](#)
(10-May-2006 12:55 PM)[Login](#)[Reply to this Topic](#)[Search Forum](#)[Back to Topic List](#)**Replies: 3**[silverm](#)Posts: 1,320
Registered:
22/06/08**XSP - better choice than US ETF's?**

Posted: 10-May-2006 12:08 AM

[Reply](#)

I just realized that XSP's MER is only .15%. Are there any reasons to consider any of those US based ETF's?

XSP is currency hedged. Since currency exchange is a zero-sum game, buying unhedged US based ETF's like SPY and IVV will only introduce volatilities without added-values.

Any thoughts?

[optsyeagle](#)Posts: 672
Registered:
22/06/08**Re: XSP - better choice than US ETF's?**

Posted: 10-May-2006 8:29 AM

[Reply](#)

Hi Silverm:

The expenses of XSP are a little higher since it uses its US ETF as its holding in the portfolio which has an MER of 0.09%, putting the total MER for XSP at 0.24%. Plus, I am pretty sure that the cost of hedging is not in the MER. The reason for this is because they most likely use futures contracts to facilitate this hedge and they consider this a portfolio security. To hedge they will either lose money on the futures contract or the currency (while making money on the other) and so the currency hedge will be seen as a reduction of the return of the portfolio (not an increase in the MER). I was told once that currency hedging can cost about 0.50%. I haven't been able to verify this, but it sounds about right.

What that means is that XSP should underperform the S&P500 index by about 0.74% but without any currency risk. When the US dollar is falling rapidly this cost gets buried quite well in the returns.

On that note, I sure hope no one switched from mutual funds to ETFs because they were getting tired of hidden fees!

[silverm](#)Posts: 1,320
Registered:
22/06/08**Re: XSP - better choice than US ETF's?**

Posted: 10-May-2006 10:16 AM

[Reply](#)

Thank you, optsyeagle. Do you personally hedge your US contents?

The only hedged US index mutual fund that I know of is Altamira Precision U.S. RSP Index, and their MER is 0.54%. So still higher than XSP before counting the reduction in returns due to future contracts.

I've been thinking of buying VTI for the longest time but it's unhedged. Stock markets generally go up in the long run, but this rule doesn't apply to currency exchange. It doesn't pay to be patient. ☹

[optsyeagle](#)Posts: 672
Registered:
22/06/08**Re: XSP - better choice than US ETF's?**

Posted: 10-May-2006 12:55 PM

[Reply](#)

I have quite a bit in the foreign markets so, yes, I do invest in some of the hedged funds. I own both XSP and Alt.Precision US as well as RBC O'Shaughn US Growth, that are all hedged. I also own a lot of the unhedged ones as well.

A guy can only take the pain of a falling currency for so long. I suspect this currency move will reverse some

day, but who knows when.

[← Back to Topic List](#)

[Forum Home](#) | [Posting Guidelines](#)
[Powered by [Jive Forums](#)]

| [About Us](#) | [Contact Us](#) | [My Profile](#) | [My Canadian Business](#) | [Site Map](#) |
| [Privacy Policy](#) | [Terms of Use](#) | [Magazine Subscriber Services](#) | [For Advertisers](#) | [Press Room](#) |

© 1997-2008 Rogers Publishing Limited All rights reserved. Terms of Service.
To learn about how we use your information, see our [Privacy Policy](#).