



## Which Is The Best High Yield ETF?



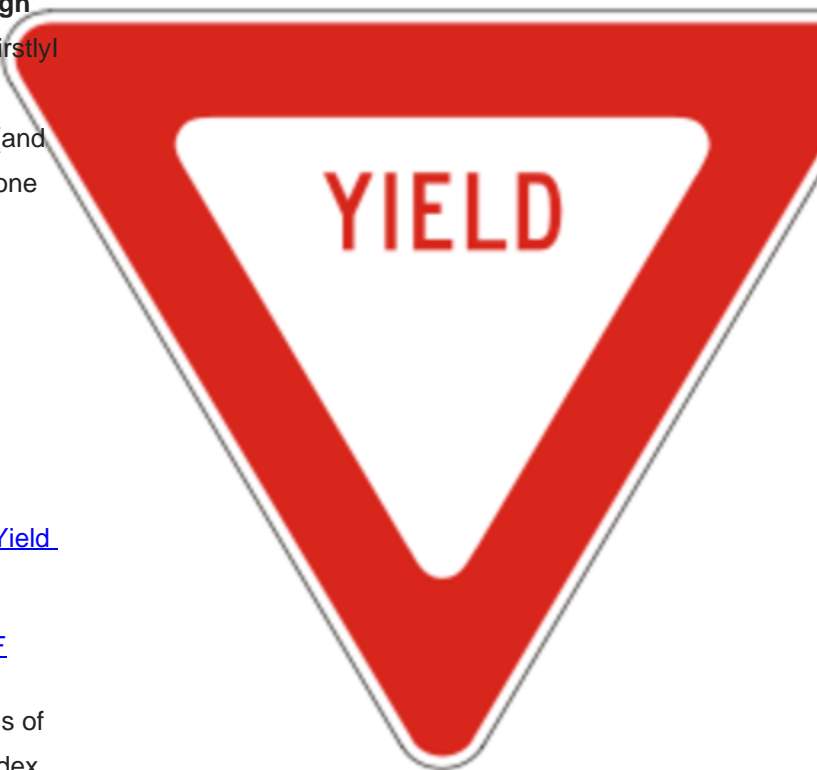
By [Roger Keays](#), 12 April 2014

I'm planning to move some of my money into a **high dividend yield** index fund for a few of reasons. Firstly I like dividends, secondly I like franking credits, and thirdly dividends seem to predict company health (and growth) pretty well. So here is the research I've done into the **index funds** / ETFs I've found on the Australian Stock Exchange.

The four **ETFs** I looked at are:

- [Vanguard High Yield Australian Shares ETF](#)
- [iShares S&P/ASX Dividend Opportunity ETF](#)
- [SPDR MSCI Australia Select High Dividend Yield Fund](#)
- [Russell High Dividend Australian Shares ETF](#)

The table belows show how they compare in terms of what index they track, how the securities in the index are selected and balanced, the management fees and the performance. I'm mostly interested in how the securities are selected.



|                        | <b>Vanguard</b>           | <b>iShares</b>              | <b>SPDR</b>          | <b>Russell</b>      |
|------------------------|---------------------------|-----------------------------|----------------------|---------------------|
| ASX Code               | VHY                       | IHD                         | SYI                  | RDV                 |
| Indexer                | <a href="#">FTSE ASFA</a> | <a href="#">S&amp;P/ASX</a> | <a href="#">MSCI</a> | Russell             |
| Securities from        | FTSE200                   | ASX300                      | MSCI IMI             | Custom (incl REITs) |
| Criteria               | Forecast yield            | Past yield                  | Past yield           | Forecast yield      |
| # of holdings          | 58                        | 53                          | 42                   | 50                  |
| Weighting method       | Market cap                | Equal*                      | Market cap           |                     |
| Max weight (company)   | 10%                       | 4%                          | 10%                  | varies              |
| Max weight (sector)    | 40%                       | 20%                         | 40%                  | varies              |
| Top 10 weight          | 72%                       | 41%                         | 64%                  | 54%                 |
| Rebalance frequency    | Quarterly                 | Semiannually                | Semiannually         | Semiannually        |
| Management cost        | 0.25%                     | 0.30%                       | 0.35%                | 0.46%               |
| Distribution frequency | Quarterly                 | Quarterly                   | Quarterly            | Quarterly           |

|                         |        |       |       |        |
|-------------------------|--------|-------|-------|--------|
| Franking level          | 87.2%  | 87.8% | 87.4% |        |
| 1yr return to 31 Mar 14 | 13.09% | 6.28% | 8.6%  | 11.54% |

\* iShares fund is weighted to maximise yield withing the weighting restrictions. The net effect is fairly even distribution of securities in each sector.

So far, I'm leaning towards the **Vanguard** product. I think I prefer to have a slightlytop-heavy fund than own 4% of everything like the iShares fund. Apart from that, I'm already invested in Vanguard and like their products.

## About Roger Keays



Roger Keays is an artist, an engineer, and a student of life. Since he left Australia in 2009, he has been living as a digital nomad in over 40 different countries around the world. Roger is addicted to surfing. His other interests are music, psychology, languages, and finding good food.