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Best-in-class option for large-cap US stocks.

Summary ★ Gold

IShares S&P 500 accurately represents the large-cap US stock market, allowing its low fee and efficient portfolio to carve out a long-term edge.

The fund tracks the S&P 500. A committee selects 500 of the largest US stocks, or roughly 80% of the US stock market, and weights them by the market cap. The index committee has discretion over selecting companies that meet its liquidity and profitability standards. While a committee-based approach may lack clarity, it adds flexibility to reduce unnecessary changes during reconstitution, taming transaction costs compared with more rigid rules-based indexes.

Assigning position sizes based on a stock's market cap is a simple and efficient method to weight the portfolio. Since US stocks are highly traded, they quickly reflect new information, and carving an edge is difficult. Market-cap weighting naturally adjusts to price changes without frequent rebalancing, generating lower trading costs. That, and lower fees, give large-blend index funds a long-term performance advantage over most actively managed peers.

The fund holds a broad, well-diversified portfolio. It typically includes around 500 stocks, and the top 10 represented around 40% of the portfolio at year-end 2025. Still, market-cap weighting can contribute to portfolio concentration when a few stocks dominate the market. This has been the case lately with a handful of mega-cap technology stocks growing to prominence and commanding a greater share of the portfolio.

When a few richly valued companies or sectors power most of the market gains, market-cap weighting may overexpose the strategy to the fluctuations of one stock or sector. But this is not a fault in design, as it simply reflects the market's composition. Its low turnover, low fee, and broad diversification across the US market more than offset these risks.

The US exchange-traded fund returned 14.8% annualized over the past 10 years through year-end 2025. It holds little cash, which should help it outperform

cash-saddled active peers during market rallies. Likewise, low cash drag could hurt this fund when the stock market declines, but long-term positive returns give this efficient approach a clear edge. Performance across share classes will vary on account of differences in fees and currency exchange rates for non-US investors.

by Brendan McCann

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This strategy accurately captures the US stock market and benefits from the efficiencies of market-cap weighting, earning it a High Process Pillar rating.

Process High

The S&P 500 selects 500 of the largest US companies that pass its liquidity and profitability screens. Companies are eligible for inclusion only when the sum of their GAAP earnings over the past four quarters is positive, as well as in the most recent quarter. Screening for profitability imparts a slight quality tilt to the portfolio. There have been instances where the profitability screen prevented otherwise qualified companies from index inclusion. Most notably, Tesla was first added to the index in December 2020, despite passing the liquidity and market-cap thresholds in January 2013. Once the index committee selects stocks, it weights them by market cap.

Market-cap weighting is a sensible approach for the US stock market. Highly traded stocks usually reflect new information quickly, and market-cap weighting requires minimal trading costs, which can detract from returns. It follows the wisdom of crowds and takes the guesswork out of stock selection. The US stock market has historically produced solid long-term gains, and owning about 80% of the market has allowed investors to capitalize on those gains. Should strong market performance continue, the fund is well-positioned to reap those rewards.

Market-cap weighting tilts the index toward the largest and most established names. Companies with wide or narrow Morningstar Economic Moat Ratings dominate the portfolio, showcasing the strategy's durability. Holding 500 stocks reduces the opportunity cost of missing out on strong performers, too. When a portfolio owns a greater chunk of the US stock universe, it has a better chance of capturing gains from companies that end up driving returns. Concentrated active funds are more likely to miss out if those stocks are excluded from their narrow portfolios.

Large allocations to the biggest names in the US stock market present some concentration risk, but the index simply represents the market. While higher concentration may be a concern for investors, there isn't a clear relationship between index performance and market concentration. In addition, the largest

companies, such as Apple and Microsoft, often have diversified business lines, so they don't rely on a single product, service, or market to determine company success.

by Brendan McCann
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The iShares equity index team earns an Above Average People Pillar rating, a testament to the quality of its index-tracking capabilities.

People Above Average

The team leverages BlackRock's industry-leading technology and a robust global infrastructure to consistently deliver tight index-tracking performance in all the global markets that it touches. Automated workflows and the team's extensive supporting staff effectively minimize potential disruptions caused by personnel changes.

BlackRock's Aladdin platform performs most of the portfolio management tasks and helps ensure the team achieves precise index tracking. Experienced managers guide the team, stepping in for tasks such as dealing with index changes, rebalances, certain corporate actions, and trade approvals. Collaboration is key within BlackRock. All managers have access to a worldwide network of traders and peers that enhances the fund's day-to-day operations. BlackRock's global trading desk forms an integral part of this network. It taps into local markets to execute cost-effective transactions. An independent risk committee diligently oversees the fund's tracking performance, ensuring it remains within prescribed boundaries and further instilling confidence in the team's approach to tracking an index.

by Brendan McCann
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BlackRock has raised the bar for what it means to be a truly diversified asset manager.

Parent Above Average

After going on a private-asset shopping spree in 2024 to acquire infrastructure, credit, and alternative fund data capabilities, few other firms can match its breadth of offerings. It remains to be seen if these acquisitions will be as transformative and beneficial for investors as its 2009 purchase of Barclays Global Investors, which included its now iconic iShares brand of exchange-traded funds. BlackRock continues to earn an Above Average rating for Parent.



Jason Kephart
Senior Principal

There are reasons for optimism. CEO Larry Fink's track record of acquisitions stands out for its focus on expanding what BlackRock can offer, rather than looking to build scale. The firm has been able to deliver packaged versions of its products, like direct indexing, through its popular model portfolios for financial advisors at low costs that have made significant improvements to investor outcomes.

For hands-off investors, BlackRock's multi-asset options like its target-date strategies and once flagship global allocation strategy are among their respective Morningstar Categories' best options.

Investors who prefer to build their portfolios can choose from dozens of low-cost building block iShares ETFs and a robust lineup of traditional fixed-income strategies. The bond team has seen higher-than-expected turnover recently, particularly among senior leaders in Europe, but fixed-income chief investment officer Rick Rieder's ability to develop talent from its deep bench of portfolio managers and analysts inspires confidence.

by Jason Kephart

Rated on Jan 10, 2025, Published on Jan 10, 2025

The S&P 500 returned 14.8% annualized over the past 10 years through 2025.



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Performance

The funds following this strategy vary in fees, influencing relative returns. However, fees across the board tend to be low, allowing them to capture nearly all of the S&P 500's performance. Currency performance across regions can also drive relative returns. Additionally, most share classes engage in securities lending, which allows them to earn back a portion of their fees, slightly improving investor returns.

The strategy's performance closely follows the ups and downs of the US stock market, since it is always fully invested. All else equal, this strategy should outperform Morningstar Category peers that hold cash during market rallies, holding back returns. But no cash buffer also means that the strategy may lag similar peers when the market falls.

The strategy tends to favor the largest US stocks and will perform best when those stocks soar. That's been the case over the past decade or so. The market's largest stocks, like Nvidia, have dominated the S&P 500's returns. However, if mid- and small-cap stocks outperform, it will lag peers that favor smaller companies.

Investors should expect meaningful fluctuations in performance over shorter periods because of the S&P 500's dependence on the market's largest companies. In its more-than-50-year history, the S&P 500 has registered a negative annual return about 20% of the time. However, this is still less often than its average US large-blend peer, and only twice did it decline over a 10-year period.

For non-US investors, iShares offers traditional or currency-hedged funds that replicate this strategy. While hedged funds mitigate currency risk, the cost of hedging can erode returns. Unhedged funds are exposed to currency fluctuations, but the impact of foreign-exchange rates on total return tends to wash out in the long term.

by Brendan McCann
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It's critical to evaluate expenses, as they come directly out of returns.

Price

Based on our assessment of the fund's People, Process, and Parent Pillars in the context of these expenses, we think this share class will be able to deliver positive alpha relative to the lesser of its median category peer or the category benchmark index, explaining its Morningstar Medalist Rating of Gold.

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