

5 BEST BLACKROCK ETFs TO BUY AND HOLD

BlackRock's iShares ETFs are among the biggest, most lucrative funds in the market.



By: Marc Guberti - October 1, 2024

BlackRock Inc. (ticker: BLK) has been offering top-tier iShares exchange-traded funds, or ETFs, since 1996 and recently closed the second quarter with \$10.6 trillion in assets under management, heavily owing to the popularity of its ETFs. The brokerage firm has many ETFs that have outperformed benchmarks like the S&P 500, with low expense ratios and enticing long-term returns. You can choose ETFs based on various criteria, such as sector, market capitalization or dividends.

While many BlackRock ETFs have low expense ratios, that's not the only thing investors should consider. Ron Tallou, founder and owner of Tallou Financial Services, offers insights on what investors should look for in any ETF: "Aside from expenses, I would look at price per share, portfolio mix and how long it has been on the open market. ETFs can be made up of many different stocks and/or bonds, so make sure you view the companies or bonds that make it up and that you feel comfortable with the companies that you are seeing."

Finally, make sure the ETF has a reasonable track record, Tallou says. "Whether I am buying an ETF for myself or my clients, I like to purchase funds that have some history that will be a good tell-all of how it has performed during periods of a good or bad economy, so I have an idea of what to expect during different business cycles."

Investors can choose from several BlackRock ETFs that have performed well in various economic cycles. These are some of the top choices to consider.

iShares Semiconductor ETF (SOXX)

The iShares Semiconductor ETF gives investors exposure to U.S. companies that design, manufacture and distribute semiconductors. The fund has been a top performer and has comfortably surpassed the S&P 500 and Nasdaq Composite over several years. It has an annualized return of 24.5% over the past decade, which is hard to beat, due to the soaring demand for AI chips recently.

For example, the \$14.9 billion SOXX has given investors exposure to outperformer Nvidia Corp. (NVDA) for a while, which has contributed to gains. Even now, NVDA makes up 8.1% of the fund's assets. Advanced Micro Devices Inc. (AMD) and Broadcom Inc. (AVGO) are the only larger positions, at 8.8% and 8.4%, respectively.

The fund has three managers with an average tenure of 10.4 years. SOXX has a 0.35% expense ratio and a 12-month trailing yield of 0.63%.

SOXX's long-term return is all the more impressive considering the popular Vanguard Information Technology ETF (VGT) has a much lower 0.1% expense ratio, but it has delivered a lower annualized return over the past decade of 20.7% as of Sept. 30. The only disappointment with that would relate to opportunity cost, if you knew that SOXX's return was nearly four percentage points higher.

iShares MSCI USA Quality GARP ETF (GARP)

The iShares MSCI USA Quality GARP ETF gives investors exposure to U.S. companies that offer growth at a reasonable price. These companies exhibit above-average growth relative to the broad domestic equity market and are poised to sustain the momentum. With "only" \$141.5 million in assets, GARP has a 0.15% expense ratio and has more than doubled the average annual return for its category over the past three years.

GARP is one of the few funds not thoroughly leaning on Magnificent Seven stocks to deliver robust returns, though they have a prominent place in the portfolio. The top three holdings are Tesla Inc. (TSLA), Broadcom and Microsoft Corp. (MSFT), with Apple Inc. (AAPL), KLA Corp. (KLAC), Nvidia and Adobe Inc. (ADBE) not far behind.

Jennifer Hsui, Greg Savage and Paul Whitehead are the fund's managers, with an average tenure of over four years.

GARP has a higher three-year annualized return than the Vanguard Growth ETF (VUG), one of the largest ETFs in the market with \$140.3 billion in total assets. While VUG has an annualized 10.5% return over the past three years with a 0.04% expense ratio, the slightly more expensive GARP has returned 15.2%.

iShares S&P 100 ETF (OEF)

The iShares S&P 100 ETF gives investors exposure to the top 100 S&P 500 companies by market cap. The Magnificent Seven stocks have an outsized presence in this fund, and it's certainly worked out for long-term investors.

It's delivered an annualized 14.1% return over the past decade, which is a bit lower than VUG's 15.6% annualized return during the same amount of time. By comparison, the Fidelity Mega Cap Stock Fund (FGRTX) has delivered a 12.9% return over the past decade but has a much higher 0.59% expense ratio.

The top 10 holdings for OEF and VUG are both stuffed with Magnificent Seven stocks. OEF has a 12-month trailing yield of 1.02%, which is higher than the yield offered by VUG (0.51%) or FGRTX (0.99%). It has a 0.2% expense ratio and \$13.8 billion in total assets.

iShares S&P 500 Growth ETF (IVW)

The iShares S&P 500 Growth ETF prioritizes large-cap growth stocks. IVW has a 0.18% expense ratio and has delivered an annualized 15% return over the past decade. The fund has a significant concentration in the Magnificent Seven stocks, with the top 10 of its 233 equity holdings making up 60% of total assets.

IVW has outperformed the Vanguard S&P 500 ETF (VOO), which has delivered an annualized 13.3% return over the past decade as of Sept. 30. BlackRock's ETF has also outperformed the Fidelity 500 Index Fund (FXAIX), which has an annualized 13.4% return. However, FXAIX has a lower expense ratio, at 0.015%.

More than half of IVW's total assets are allocated toward tech stocks, with the communication services sector in a distant second place, which explains the ETF's outsized returns lately. IVW also benefits from its managers' collective experience: Their average tenure is 10.6 years.

iShares Expanded Tech Sector ETF (IGM)

The iShares Expanded Tech Sector ETF has delivered an annualized 20% return over the past decade with Magnificent Seven stocks leading the way. Meta Platforms Inc. (META), Apple, Nvidia, Microsoft and Alphabet Inc. (GOOGL) are the fund's top five holdings. IGM's top 10 make up more than half of the fund, and the tech sector represents nearly 80% of assets.

The fund's 0.41% expense ratio is partially offset by a trailing-12-month yield of 0.3%. While you can find Vanguard and Fidelity ETFs with lower expense ratios, few of them match up with IGM's 10-year annualized returns. The Fidelity Select Semiconductors (FSELX) mutual fund has a higher annualized return of 26.8% despite its 0.65% expense ratio.

IGM is just one of the many BlackRock ETFs that have outperformed the stock market year to date. Like most top-performing BlackRock funds, the key to its success has been a strong emphasis on the Magnificent Seven. Don't forget, however, that past performance is never a guarantee of future results.

Ron Tallou is the founder and owner of Tallou Financial Services. Ron holds a Life/Accident & Health Insurance License, and Series 6 and 63 registrations as a registered representative of CoreCap Investments. Ron believes the financial service field gives him the tools to help make others' dreams come true by focusing on wealth preservation and wealth accumulation.

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