The Best Stock Funds for the Core of an Investment Portfolio

These top-rated mutual funds and ETFs make excellent long-term core holdings.

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Building an investment portfolio is a personal experience: What suits one investor may be ill-fitting for another. Factors such as risk tolerance and time horizon influence how an investor constructs a portfolio, as do things like the amount of money involved, the types of financial accounts at hand, and the level of experience and interest on the investor's part.

Yet most investors would probably agree that they own certain funds they'd call "core" holdings: those mutual funds or exchange-traded funds they expect to do most of the heavy lifting when it comes to reaching their goals.

But what types of mutual funds and ETFs are good "core" funds?

The answer depends in part on your time horizon. For goals less than a year away, cash is the best core holding, says Morningstar portfolio strategist Amy Arnott. For goals that are, say, two to six years away, she recommends a high-quality bond fund with a short to intermediate maturity.

For longer-term goals—those a decade or longer out—Arnott says most investors should be looking to stock funds. "Typically, if you're investing for a goal that's at least 10 years away, you really want to be focusing on growth," she adds.

New Morningstar research concludes that three types of stock mutual funds and ETFs make the best core portfolio holdings.

What Are the Best Investments for the Core of a Portfolio?

The best types of funds for the core of a long-term portfolio cluster in three Morningstar Categories: U.S. large blend, foreign large blend, and global large blend.

Why? Because the mutual funds and ETFs in these categories provide broad representation of the overall stock market, either in the United States or globally, says Arnott. As a result, these categories have a narrower dispersion of returns than other equity categories—and therefore generate more predictable returns. That's just what investors want from their core holdings.

However, some mutual funds and ETFs in these groups are more representative of their categories than others. For instance, some funds may land in one of Morningstar's blend categories that aren't all that broad-based (concentrated active strategies, for instance). Funds that are unlike their categories in some way are typically less likely to be suitable core holdings for most investors, by our definition.

How to Find the Best Stock Funds for the Core of a Long-Term Portfolio

To compile our list of the best stock funds for the core of a long-term portfolio, mutual funds and ETFs had to meet the following criteria:

- The best long-term core stock funds have at least one share class that earns our highest Morningstar Medalist Rating of Gold with 100% analyst coverage. We expect such funds to outperform over a full market cycle.
- These mutual funds and ETFs land in the U.S. large-blend, foreign large-blend, or global large-stock blend categories.
- The best funds for the core of a long-term portfolio are good representatives of their categories, with three-year R-squareds equal to or above the category average and three-year tracking error numbers equal to or below the category average.

Best Stock Funds for the Core of a Long-Term Portfolio
These mutual funds and ETFs met our criteria for the best long-term core stock funds as of January 2024.

1. American Funds International Growth and Income IGAAX
2. DFA U.S. Core Equity DFEOX
3. DFA U.S. Large Company DFUSX
4. Dimensional International Core Equity Market ETF DFAI
5. Dimensional US Core Equity Market ETF DFAU
6. Fidelity 500 Index FXAIX
7. Fidelity Total International Index FTIHX
8. Fidelity Total Market Index FSKAX
9. Fidelity Zero Large Cap Index FNILX
10. iShares Core MSCI Total International Stock ETF IXUS
11. iShares Core S&P Total U.S. Stock Market ETF ITOT
12. iShares S&P 500 Index/iShares Core S&P 500 ETF WFSPX IVV
13. Parnassus Core Equity PRBLX
14. Schwab S&P 500 Index SWPPX
15. Schwab Total Stock Market Index SWTSX
16. Schwab US Broad Market ETF SCHB
17. Schwab US Large-Cap ETF SCHX
18. SPDR Portfolio S&P 1500 Composite Stock Market ETF SPTM
19. State Street Equity 500 Index/SPDR Portfolio S&P 500 ETF SSEYX SPLG
20. State Street Global All Cap Equity ex-U.S. Index SSGVX
21. Vanguard 500 Index/Vanguard S&P 500 ETF VFIAX VOO
22. Vanguard FTSE All-World ex-U.S. Index/ETF VFWAX VEU
23. Vanguard Institutional Total Stock Market Index VITNX
24. Vanguard Large Cap Index/ETF VLCAX VV
25. Vanguard Russell 1000 Index VRNIX
26. Vanguard Tax-Managed Capital Appreciation VTCLX
27. Vanguard Total International Stock Index/ETF VGTSX VXUS
28. Vanguard Total Stock Market Index/ETF VITSX VTI
29. Vanguard Total World Stock Index/ETF VTWAX VT

Given our emphasis on highly rated funds that behave like the categories in which they fall, it's no surprise that most of the stock funds on our list of the best stock mutual funds and ETFs for the core of a long-term portfolio are broad-based, low-cost index funds.

The list also includes a mix of funds that focus exclusively on U.S. stocks, exclusively on non-U.S. stocks, and on both U.S. and non-U.S. stocks. Non-U.S. stocks don't always provide U.S.-based investors with added diversification, but they have proved their mettle in particular climates. "Non-U.S. stocks have made a strong case for themselves in certain environments, such as when the dollar has declined relative to other major foreign currencies," argues Morningstar director of personal finance and retirement planning Christine Benz. Moreover, having exposure to international stocks provides an investor with access to the full spectrum of investment opportunities worldwide.

Those interested in going global with their core holdings might consider choosing both a U.S. large-blend and a foreign large-blend fund from our list; others might simplify with one global large-blend stock fund, which combines both U.S. and non-U.S. stocks.

How to Find More of the Best Stock Funds for the Core of a Portfolio
Investors may want to expand their search for long-term core stock funds beyond this list, using parameters that matter to them. Here are two ways to do just that:

» Use the Morningstar Investor screener to create your own list of core stock funds to investigate further. Beneath Investment Type, choose either mutual funds or ETFs. In the Criteria section, Morningstar Category, choose either Large Blend, Foreign Large Blend, Global Large-Stock Blend, or all three, depending on your interest. From there, you can further screen funds by their Morningstar Ratings, expenses, and more. Once you have your list, you can choose which data points you'd like to see for each fund.
» Review one of Morningstar's lists that define "core" differently and that go beyond the "blend" categories discussed in this article, including Core Stock Funds, Core Foreign Funds, and Core Medalist ETFs.