

---

## Vanguard announces active, multi-manager emerging markets equity fund

---

By Editor Test      Wed, Mar 30, 2011

---

*The Vanguard Emerging Markets Select Stock Fund is expected to have an expense ratio of 0.95%, a \$3,000 minimum and a 2% redemption fee on shares held less than 60 days.*

---

Vanguard has filed a registration statement with the U.S. Securities and Exchange Commission for a new actively managed emerging markets equity fund that will complement the firm's existing emerging markets index fund.

The Vanguard Emerging Markets Select Stock Fund is expected to have an expense ratio of 0.95%, or about 40% less than the 1.68% expense ratio of the average actively managed emerging markets fund (Source: Lipper, December 31, 2010).

The fund will require a \$3,000 minimum initial investment and is available only to individual investors who invest directly with Vanguard. As with many of its other international stock funds, Vanguard will assess a 2% redemption fee on shares held less than 60 days in an effort to deter short-term trading. The fee, which is not a load, is paid directly back to the fund to offset transaction costs.

The fund's four advisors will each oversee 25% of the assets initially. They are:

- **M&G Investment Management Limited**, which advises the \$5 billion Vanguard Precious Metals and Mining Fund and a portion of the \$18.3 billion Vanguard International Growth Fund. Portfolio managers Matthew Vaight and Michael Godfrey will use a valuation-based, return on capital-focused approach to create a portfolio with no country or sector constraints.
- **Oaktree Capital Management, L.P.**, which advises the \$2 billion Vanguard Convertible Securities Fund. The portfolio managers, Tim Jensen and Frank Carroll, will employ a bottom-up research process to invest in a diversified portfolio, limiting exposures by country and industry to avoid concentrated bets.
- **Pzena Investment Management, LLC**, which advises the \$47 million Vanguard U.S. Fundamental Value Fund. (This fund is domiciled in Dublin, Ireland, and is available only to non-U.S. investors.) The firm will follow a deep value strategy to invest in stocks based on the research of the three portfolio managers, John Goetz, Caroline Cai, and Allison Fisch, supported by a team of analysts.
- **Wellington Management Company, LLP**, which advises 19 Vanguard funds representing \$195 billion in assets. Portfolio manager Cheryl Duckworth, along with the deep experience of Wellington's team of global industry analysts, will seek to add value through in-depth fundamental research.

In a recent article posted on Vanguard.com, "Practice portion control with emerging markets" ([www.vanguard.com/portioncontrol](http://www.vanguard.com/portioncontrol)), the company encouraged investors not to load up on emerging market equities.

“Emerging markets can be an important part of an overall investment portfolio, but we suggest that investors use market capitalization as a yardstick for the appropriate amount of an investment,” said Joseph H. Davis, Ph.D., Vanguard’s chief economist.

“Today, emerging markets make up 25% of the international stock market, so we recommend that emerging markets represent no more than 25% of an investor’s international equity holdings.”

Past strong economic growth of emerging markets may not necessarily lead to strong stock returns in the future, he said. A Vanguard research paper (*Investing in emerging markets: Evaluating the allure of rapid economic growth*, [www.vanguard.com/emresearch](http://www.vanguard.com/emresearch)) published in April 2010 showed virtually no correlation between the average cross-country correlation between long-run GDP growth and long-run stock returns.