
Vanguard reboots a managed income fund

By Editorial Staff Thu, Mar 12, 2020

Instead of monthly payments, the Vanguard Managed Allocation Fund will aim for annual payments. A highly diversified fund-of-funds, it will have a 0.32% expense ratio.



Vanguard has changed the name of its Vanguard Managed Payout Fund to Vanguard Managed Allocation Fund. The fund also added a new portfolio manager to its team, effective immediately, and eliminated monthly payouts in favor of an annual distribution. The last monthly payment will be made in May.

The fund's structure, composition, and investment advisor won't change. It remain a fund-of-funds, investing in equities, fixed income, commodities, and alternative assets through other Vanguard funds. Vanguard Quantitative Equity Group (QEG), the firm's internal active fund advisory arm, will continue to manage it.

The fund currently invests 52% of its assets in stocks, 23% in bonds, and 25% in alternatives. The fund is expected to retain an expense ratio of 0.32%.

Vanguard introduced three managed payout portfolios in 2008, each with its own target payout rate in retirement. But the financial crisis hurt the launch and the product sputtered. In 2014, the portfolios were merged into a single Managed Payout Fund with an annual target distribution rate of 4%. The fund has attracted only \$1.9 billion. Most shareholders reinvested their distributions instead of taking monthly income.

Vanguard advised investors who want a regular stream of cash distributions to establish an automatic withdrawal plan from their Vanguard accounts.

Vanguard Managed Allocation Fund will continue to invest in a diversified portfolio of Vanguard funds, including but not limited to:

- Vanguard Total International Stock Index Fund
- Vanguard Alternative Strategies Fund
- Vanguard Total Bond Market II Index Fund
- Vanguard Total Stock Market Index Fund
- Vanguard Global Minimum Volatility Fund
- Vanguard Commodity Strategy Fund

- Vanguard Total International Bond Index Fund
- Vanguard Ultra-Short-Term Bond Fund
- Vanguard Value Index Fund
- Vanguard Market Neutral Fund
- Vanguard Emerging Markets Stock Index Fund

Vanguard is positioning the revised fund for several audiences: As a cash-flow management tool for endowments and foundations, as an in-plan retirement income solution, or as part of a retirement income strategy for individual investors and their advisors, or as a diversified asset for institutional investors.

Vanguard's Quantitative Equity Group was created in 1991. It is comprised of 37 portfolio managers, strategists, and analysts, and manages assets worth more than \$44.5 billion. It is led by John Ameriks.

Fei Xu and Anatoly Shtekhman, managers of Vanguard Alternative Strategies Fund and Vanguard Commodity Strategy Fund, will manage the Managed Allocation fund's portfolio.

Shtekhman earned a B.S. in mathematics from the University of Scranton, an M.S. in finance from Boston College, and an M.B.A. from the Wharton School of the University of Pennsylvania. Xu received a B.S. from Beijing University, an M.S. in geophysics from UCLA, and an M.B.A. from the Fuqua School of Business, Duke University.

© 2020 RIJ Publishing LLC. All rights reserved.