
Vanguard to offer short-term TIPS index fund

By Editor Test *Mon, Jul 30, 2012*

The new fund will track the Barclays U.S. Treasury Inflation-Protected Securities (TIPS) 0-5 Year Index, which measures the performance of TIPS with a remaining maturity of less than five years.

Vanguard has filed a registration statement with the SEC for Vanguard Short-Term Inflation-Protected Securities Index Fund. Expected to be available in the fourth quarter of 2012, the fund will offer four low-cost share classes (Investor, Admiral, Institutional, and ETF Shares).

The new fund will track the Barclays U.S. Treasury Inflation-Protected Securities (TIPS) 0-5 Year Index, a market-weighted index that measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of less than five years.

The benchmark index has an effective duration of 2.53 years and an average maturity of 2.59 years (as of June 30, 2012). Barclays, a premier index provider in the fixed income market, is the index provider for all of Vanguard's fixed income index funds.

The new fund's ETF Shares have an estimated expense ratio of 0.10%. The fund's Investor Shares, which require a \$3,000 minimum initial investment, have an estimated expense ratio of 0.20%; the Admiral Shares, which require a \$10,000 minimum initial investment, have an estimated expense ratio of 0.10%; and the Institutional Shares, which require a \$5 million minimum initial investment, have an estimated expense ratio of 0.07%. To offset the transaction costs of purchasing TIPS, the fund will assess a 0.25% purchase fee on all shares (excluding ETF shares).

The short-term fund will complement the existing \$43 billion Vanguard Inflation-Protected Securities Fund, an actively managed fund with a duration of 8.5 years and an average maturity of 9.3 years (as of June 30, 2012).

"The new Short-Term Inflation Protected Securities Index Fund will provide an additional choice for investors who are seeking protection from inflation," said Vanguard Chief Investment Officer Gus Sauter. "The fund's objective will be to generate returns more closely correlated with realized inflation and to offer investors the potential for less volatility of returns relative to a longer-duration TIPS fund."

Joshua Barrickman and Gemma Wright-Casparius, both principals and senior portfolio managers in the Vanguard Fixed Income Group, will co-manage the new fund. Barrickman currently manages several Vanguard bond index funds and oversees daily management of Vanguard Fixed Income ETFs. Wright-Casparius co-manages the existing Vanguard TIPS fund. The Vanguard Fixed Income Group oversees nearly \$700 billion in assets, including \$235 billion in bond index fund assets and \$37 billion in bond ETF assets.