Long-term bond fund adds advisor; 2 bond funds reopen

December 9, 2013

Vanguard today added a second advisor for one of its long-term bond funds and reopened two other bond funds to all investors.

Multi-advisor approach for a bond fund

Vanguard Fixed Income Group joined the advisory team for Vanguard Long-Term Investment-Grade Fund. Wellington Management Company LLP, which has managed the $13.4 billion fund since its inception in 1973, remains lead advisor.

"After careful consideration, the fund's board determined that our Fixed Income Group's investment philosophy and capabilities will complement the fund's existing advisor," said Vanguard Chairman and CEO Bill McNabb. He noted that the fund's overall portfolio and investment strategy will not change.

Vanguard Fixed Income Group is one of the world's largest fixed income managers, managing nearly $745 billion invested in 70 bond, money market, and stable value funds. Wellington Management oversees about $400 billion in fixed income assets, including nearly $105 billion for Vanguard.

The move makes the Long-Term Investment-Grade Fund the first Vanguard bond fund with multiple advisors, an approach employed by 17 of the firm's actively managed U.S.-domiciled stock funds. Vanguard believes that a fund with multiple managers can benefit from additional capacity.

Two funds reopen to all investors

Vanguard Intermediate-Term Tax-Exempt Fund and Vanguard High-Yield Corporate Fund are again available to all investors.
The $33.7 billion Intermediate-Term Tax-Exempt Fund, a municipal bond fund managed by Vanguard Fixed Income Group, had closed to most new accounts in February 2013. The $16.1 billion High-Yield Corporate Fund, which is managed by Wellington Management Company LLP, had closed to most new accounts in May 2012.

In both cases, Vanguard acted preemptively to address concerns that continued asset growth in the funds could harm the interests of current shareholders.

"These funds were closed to reduce cash flow, with the aim of preserving the advisors' ability to implement their investment strategies and produce competitive long-term returns," Mr. McNabb said. "Cash flow to the funds has subsided, which, along with a change in market conditions, has enabled us to reopen the funds."

Further restrictions on Capital Opportunity Fund

The $11.4 billion Vanguard Capital Opportunity Fund, which already had restrictions in place for institutional investors, has now closed to most new accounts.

Institutional investors will not be affected by the new restrictions. Participants in certain qualified retirement plans may continue to invest as they did previously. Certain qualifying asset allocation programs may also continue to operate in accordance with the programs' terms.

Notes:

- All asset figures are as of November 30, 2013, unless otherwise noted.

- All investing is subject to risk, including the possible loss of the money you invest. Bond funds are subject to the risk that an issuer will fail to make payments on time, and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments. Although the income from a municipal bond fund is exempt from federal tax, you may owe taxes on any capital gains realized through the fund's trading or through your own redemption of shares. For some investors, a portion of the fund's income may be subject to state and local taxes, as well as to the federal Alternative Minimum Tax. High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings. Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks.

- *An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in such a fund.*