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Vanguard Opens Emerging Markets Bond Fund

After numerous delays, Vanguard has finally brought its first international bond fund to market. For a while, it looked like Total International Bond Index would open first, but Vanguard began a subscription period for Emerging Markets Government Bond Index this month—it's scheduled to kick into full operation at the start of June.

The fund tracks the Barclays USD Emerging Markets Government RIC Capped index, which holds about 560 U.S. dollar denominated bonds issued by emerging markets governments and agencies. The "RIC" in the name stands for "registered investment company" and means that the underlying index (and fund) will limit exposure to individual bond issuers to meet IRS diversification standards for mutual funds.

Once operations begin in June, there will be four share classes available for investment: Investor, Admiral, Institutional and ETF (all but the ETF are currently open as part of the subscription period). You can see minimums and fees in the table below—with the Investor, Admiral and Institutional share classes all charging a purchase fee, it's likely that the ETF shares of Emerging Markets Government Bond Index will be most popular with investors.

Emerging Markets Government Bond Index's Four Share Classes

Share Class	Ticker	Minimum Initial Investment	Expense Ratio	Front-End Load
Investor	VGOVX	\$3,000	0.50%	0.75%
Admiral	VGAVX	\$10,000	0.35%	0.75%
Institutional	VGIVX	\$5 million	0.30%	0.75%
ETF	VWOB	None	0.35%	None

The fund will be co-managed by Joshua Barrickman and Yan Pu. Barrickman manages a number of Vanguard's fixed-income index funds, along with the bond portion of Balanced Index, and has been with the firm since 1999. Pu has been with Vanguard since 2004 and manages a couple of fixed-income funds for non-U.S. investors. She has also been tabbed to manage Vanguard's Total International Bond Index fund when it opens later this year.

As we've discussed in past *Adviser Fund Updates*, Vanguard resisted introducing international bond funds for quite some time,

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but has finally chosen to do so as yields on U.S.-focused offerings have dropped to near historically low levels. It'll be interesting to see how quickly the new funds gather assets, as investors have been seeking higher yields, including in international bond funds, for some time now.

Emerging Markets Government Bond Index is the riskier of Vanguard's two international bond offerings. While the fund will invest only in U.S. dollar denominated bonds, eliminating currency risk from the portfolio, emerging markets investments bring other risks, such as the potential for increased price volatility and exposure to less stable governments. We advise that interested investors carefully weigh their portfolio objectives and the risks of holding this fund before investing here.

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