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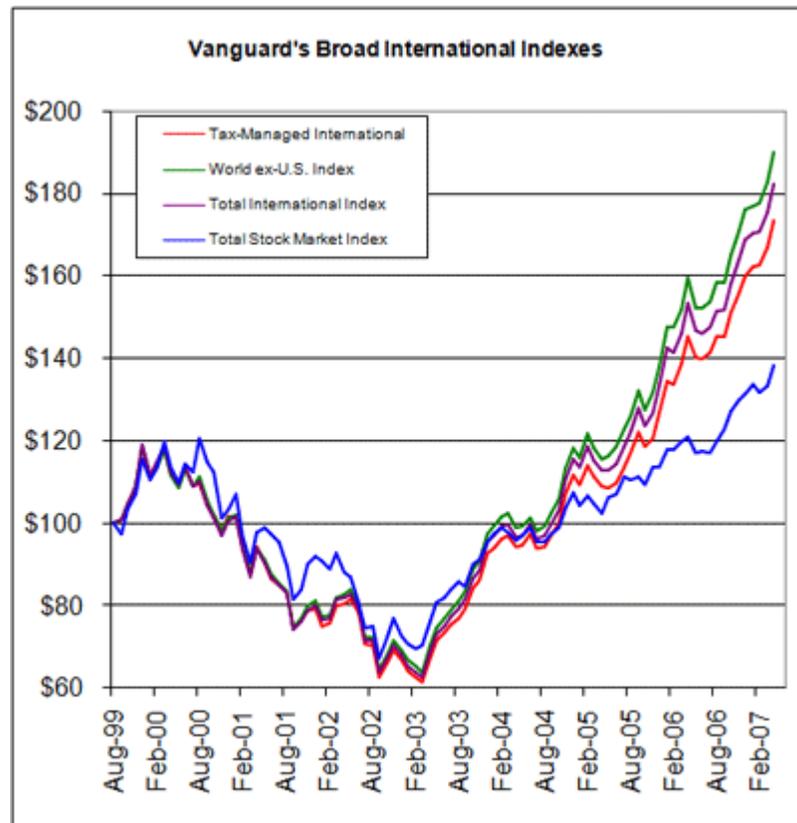
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June 1, 2007

### **Vanguard's Brave New International ETF**

On May 21, Vanguard announced that it plans to introduce a fifth international exchange-traded fund to its line-up, Europe Pacific ETF. A share class based on the well-established Tax-Managed International, Europe Pacific ETF will track the MSCI EAFE (Europe, Australasia and Far East) Index and is expected to have a rock-bottom expense ratio of 0.15%, the lowest of any of the firm's international ETFs. This newest addition should make its debut some time in the third quarter.

Europe Pacific ETF (proposed ticker: VEA) won't have the emerging markets exposure of Vanguard's new World ex-U.S. ETF, but it is positioned to be a direct competitor to the well-established, and popular, iShares EAFE ETF (ticker: EFA). The EFA has an expense ratio of 0.35%, 20 basis points higher than Europe Pacific's, which should make Vanguard's ETF a very attractive alternative.



Note: FTSE performance data was used for periods prior to the inception of World ex-U.S. Index

As you can see in the chart above, since inception, Tax-Managed International has tracked pretty closely with Vanguard's Total International Index, though it has lagged somewhat over the past several years. For investors interested in adding a broad international ETF to their portfolio, we'd recommend World ex-U.S. ETF over Europe Pacific ETF specifically because of its emerging markets exposure, but the newer ETF could hold some allure for investors keen on its lower expense ratio (World ex-U.S. ETF charges 0.25% in expenses) and slightly lower volatility. There is certainly no need to own both in the same portfolio.

### **New Ways of Giving**

Vanguard also recently announced that three new investment "pools" would be added to the Vanguard Charitable Endowment Program. Each of the new pools will invest in a single fund: Total Stock Market Index, Total International Index and Prime Money Market.

Vanguard's Charitable Endowment Program (VCEP), for those of you unfamiliar with it, provides a means for philanthropists to participate in a "donor-advised" giving program. There are five existing investment pools, four of which use two or more funds to create a portfolio. Participants can pick one or several pools for investing their donated assets, and can also advise Vanguard where grants should be given (technically Vanguard—and other organizations operating similar programs—have total legal control over your money once it's donated, but in practice they allow donors a free hand in how the accounts are handled). You can title your charitable account however you choose, and the program will accept any kind of marketable security, or cash as a donation, letting you take the tax break upon the transfer. The

minimum for starting a charitable account is \$25,000, which can be done all at once or in chunks of \$5,000 over two years.

For more information on the VCEP, please visit their website at [www.vanguardcharitable.org](http://www.vanguardcharitable.org).

### **About Adviser Investment Management, Inc.**

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