



## ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments



September 14, 2012

### In This Issue

#### **Legendary Vanguard Manager Retiring**

After a stellar 28-year career running Vanguard Health Care, manager Ed Owens recently announced that he plans to retire at the end of 2012. He will go out as Vanguard's longest-tenured external portfolio manager, and leaves behind a phenomenal long-term performance track record.

Owens joined Wellington Management, the Boston-based sub-adviser for Health Care, in 1974. He served as the firm's pharmaceutical analyst before taking on the manager role at Health Care at its May 1984 inception. Under his watch, Health Care has grown to be the second-largest sector fund in the industry, with over \$22 billion in assets.

Despite his fund's high profile, Owens was never one to seek the limelight. However, in one of the few media interviews he granted over the course of his career, he cited his contrarian approach as one of the keys to his success. "By acting contrary to the way most investors act in my space, I think that I have an inherent advantage. It's not something that shows up in a month or a quarter, but it's a built-in advantage that shows up over time," he told Fortune magazine in 2003.

In addition to managing the fund well, Owens also appears to have done a commendable job of grooming his successor. Taking over for Owens will be Jean M. Hynes, 43, who joined Wellington Management in 1991. She has served on the Health Care fund's management team for nearly 20 years and was named associate portfolio manager in 2008. Hynes specializes in the pharmaceutical and biotechnology industries. She earned a BA in economics from Wellesley College. She is also a Chartered Financial Analyst and a member of the CFA Institute and the Boston Security Analysts Society.

While Owens' departure marks the end of an era at Health Care, Hynes should be an able replacement, so we do not believe current investors have reason to be concerned.

Over the years, we have had many insightful conversations with Owens about his fund, the health care sector and investing, and we wish him the best as he starts this new phase of his life.

#### **Still Waiting On Vanguard's New Bond Funds**

- [Legendary Vanguard Manager Retiring](#)
- [Still Waiting on Vanguard's New Bond Funds](#)

After announcing its intention to launch several index funds and exchange-traded funds (ETFs) over the past two years, investors are still waiting for Vanguard to deliver.

Last October, Vanguard announced plans for two foreign bond index funds and ETFs (Total International Bond Index and Emerging Markets Government Bond Index). The announcement was accompanied by a research paper and other educational materials showing how foreign bonds have the potential to reduce volatility in fixed-income portfolios. But in January 2012, Vanguard said it was delaying the launch because of "operational" issues. At that time, they expected the funds would be available "late in 2012," a deadline they recently pushed back once again. (If you'd like to read more on these international bond funds, we first covered them in our [November 11, 2011 update](#), and wrote about their initial delay earlier this year in our [February 3 issue](#).)

We're not surprised that these funds have been delayed for a second time. That's because Vanguard exhibited a similar reticence after announcing it was launching three municipal bond index funds and ETFs in June 2010. It seemed like all was in readiness for the funds to open to investors, but then a prominent bond-watcher loudly predicted imminent doom for the municipal bond market, claiming that billions of dollars in bonds were headed for almost certain default.

Investors panicked and began pulling money from muni funds. Vanguard got cold feet, saying it couldn't launch the three funds into a flood of outflows, putting them on hold. While the panic ended, the market stabilized and money began flowing back into bond funds (including Vanguard's) some time ago, there was no word out of the company's Malvern, PA headquarters on the fate of those three muni bond funds until just this week, when it was finally announced that there are no plans to move forward.

In the same statement, however, Vanguard did say that it still plans to introduce those international bond funds and ETFs, this time in 2013. And the firm has also filed papers with the Securities and Exchange Commission for the new Short-Term Inflation-Protected Index and its associated ETF shares (which we covered in our [August 3 Adviser Fund Update](#)) indicating an Oct. 10 launch date. At this point, there is nothing to suggest that fund won't launch as scheduled.

### **About Adviser Investments**

Adviser Investments and its subsidiaries operate as an independent, professional money management firm with particular expertise in Fidelity and Vanguard mutual funds. With 2,400 clients and over \$2 billion under management, Adviser Investments is one of the nation's largest mutual fund research and money management firms. Our investment professionals focus on helping individual investors, trusts, foundations, and institutions meet their investment goals. Our minimum account size is \$350,000.

For more information, please visit [www.adviserinvestments.com](http://www.adviserinvestments.com) or call 800-492-6868.

Disclaimer:

This material is distributed for informational purposes only. The investment ideas and expressions of opinion may contain certain forward looking statements and should not be viewed as recommendations, personal investment advice or considered an offer to buy or sell specific securities. Data and statistics contained in this report are obtained from what we believe to be reliable sources; however, their accuracy, completeness or reliability cannot be guaranteed.

Our statements and opinions are subject to change without notice and should be considered only as part of a diversified portfolio. You may request a free copy of the firm's Form ADV Part 2, which describes, among other items, risk factors, strategies, affiliations, services offered and fees charged.

Past performance is not an indication of future returns. The tax information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice. We do not provide legal or tax advice. Always consult an attorney or tax professional regarding your specific legal or tax situation.

