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On September 9, Vanguard launched nine new ETFs tracking S&P market indexes. Eight of the nine were launched concurrently with institutional class shares, while the ninth, the S&P 500 ETF, realizes Vanguard's long-held desire to introduce an ETF class of its flagship 500 Index fund. They followed this up a week later on September 16 by launching a series of seven ETFs (also with associated institutional shares) tracking Russell market indexes.

We first mentioned Vanguard's aggressive ETF blitz in the June 25 *Adviser Fund Update*, when Vanguard unveiled its plan to introduce 20 new ETFs. Most of the offerings track the same indexes as existing iShares ETFs, but at a lower price (see table below). The lower expense ratios, in combination with free ETF trades for Vanguard brokerage clients, instantly make the fund giant a major competitor in the ETF market.

Undercutting the Competition

Fund Name	Symbol	Expense Ratio	iShares Expense Ratio
S&P 500	VOO	0.06%	0.09%
S&P 500 Growth	VOOG	0.15%	0.18%
S&P 500 Value	VOOV	0.15%	0.18%
S&P MidCap 400	IVOO	0.15%	0.22%
S&P MidCap 400 Growth	IVOG	0.20%	0.25%
S&P MidCap 400 Value	IVOV	0.20%	0.28%
S&P SmallCap 600	VIOO	0.15%	0.20%
S&P SmallCap 600 Growth	VIOG	0.20%	0.25%
S&P SmallCap 600 Value	VIOV	0.20%	0.25%
Russell 1000	VONE	0.12%	0.15%
Russell 1000 Growth	VONG	0.15%	0.20%
Russell 1000 Value	VONV	0.15%	0.20%
Russell 2000	VTWO	0.15%	0.28%
Russell 2000 Growth	VTWG	0.20%	0.25%
Russell 2000 Value	VTWV	0.20%	0.41%
Russell 3000	VTHR	0.15%	0.21%

Sources: The Vanguard Group, iShares

With the launch of the Russell ETFs, Vanguard has released all but four of the planned 20 additions to their lineup; still to come are the Global ex-U.S. REIT ETF (the only of the 20 to be paired with a new investor class fund) and three municipal bond ETFs. Those additions should appear later this year or in the first part of 2011.

In an upcoming update, we'll take a closer look at the new ETFs, many of which have overlapping holdings and objectives. Our analysis has shown us, however, that despite the similarities, the process by which S&P, Russell and MSCI (as you may know, Vanguard already has a full line of MSCI ETFs trading much of the same ground) select stocks for their indexes and sub-indexes has made a difference in long-term performance.

Vanguard's new ETFs are certainly a bargain compared to the competition, but, in our opinion, most investors would be better served seeking funds run by managers who have set a higher bar for themselves than simply matching the market (as these ETFs will do) and proven they can clear it.

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