

Vanguard strikes back against ... Bogle?

A new study refutes founder's concerns that exchange-traded funds encourage excessive trading
By [Jason Kephart](#) July 17, 2012

The [Vanguard Group](#) Inc. released a study today that refutes the concerns of founder John Bogle and others that exchange-traded funds encourage excessive trading, which is bad for long-term investors.



about ETFs. *Bloomberg*

A new study by Vanguard contradicts its founder's concerns

Vanguard looked at more than 36,000 ETF positions and more than 500,000 mutual fund positions in its Vanguard Total Stock Market Index Fund (VTI), Vanguard Total Bond Market Index Fund (BND), Vanguard Emerging Markets Index Fund (VWO) and Vanguard REIT Index Fund (VNQ) from 2007 through 2011. Vanguard's ETFs are share classes of its mutual funds, which is unique.

The study found that 62% of ETF shareholders exhibited buy-and-hold behavior, defined as ownership of more than one year. Though that is less than the 83% among mutual fund shareholders, Vanguard claims the difference is attributable more to the type of investor drawn to ETFs than to the products themselves.

ETF investors are more likely to be male and over 60, and to check their account balances daily, according to Vanguard. Investors in each of those categories tend to trade more than the average investor.

“While differences exist between the characteristics of people who buy each investment type, our analysis shows that claims of speculative trading behavior among ETF investors are greatly exaggerated,” Joel Dickson, a principal in Vanguard's Investment Strategy Group, said in a release.

That should be good news to Mr. Bogle, who founded Vanguard in 1975 and was the architect of the first S&P 500 index fund. He has often been critical of ETFs in the press.

“There's no question that ETFs are the greatest trading innovation of the 21st century,” Mr. Bogle said at a conference in February. “But the question is 'Are they the greatest investment innovation?' and the answer is 'no.' ”

<http://www.investmentnews.com/apps/pbcs.dll/article?AID=/20120216/FREE/120219933>

Mr. Bogle recalled seeing an ad for the SPDR S&P 500 ETF that touted the ability to trade throughout the day and thinking, “Who the hell wants to do that?” jkephart@investmentnews.com