



John C. Bogle
Founder
Chairman and Chief Executive, 1974-1996

May 21, 2012

To: Principals and Veterans

Last Thursday, I was honored to be the recipient of the inaugural Humanitarian Award by the Lown Cardiovascular Research Center. It was a gala evening in Boston, before a packed house.

Dr. Lown, my cardiologist from 1967 through 1987, helped me to survive for two decades between my first heart attack in 1960 and my heart transplant in 1996. He is the inventor of the cardioverter (for shocking failed hearts back to life) as well as a winner of the Nobel Peace Prize in 1985. This citizen of the world, now 91, remains an articulate and passionate phrasemaker, as you'll see from his remarks at the presentation of the award. I've also attached my words of response.

The evening was well supported by numerous mutual fund managers. GMO's Jeremy Grantham was the keynote speaker and numerous (past and present) officials of Wellington Management, Granaham Management, and other fund advisers were in attendance.

I must repeat my usual disclaimer. I am reluctant (and more than a little embarrassed) to circulate commentaries like these on my long career, but well aware that if I don't do so myself it won't get done. But so many of you have expressed appreciation for these notes in the past that I'll continue the practice. These attachments may help you to better understand the great struggle that was required to build Vanguard.

Best, always,

John Bogle: An Appreciation through the Prism of Doctoring

Learning of John Bogle's medical history one is led to the self-evident conclusion that we are living in an age of cascading scientific miracles. After all he was first afflicted with a life threatening heart condition when he was a mere 30 years old. He had experienced at least six cardiac arrests. At the time distinguished physicians rendered a dire prognosis. Few believed that he would survive to the age of 40. It is now a half-century later. And with a youthful transplanted heart beating away in a healthy, merry rhythm no responsible doctor would dare prognosticate. Methuselah needs worry about holding on to his record for longevity.

But those who credit merely science have only half the truth. Having come to know John well, I am convinced the miracle resides largely in the man.

Ours was a rather outlandish beginning. Sometime late in 1967 I received an unusual telephone call. The person identified himself as a senior partner of Wellington Management Company and requested that I see a certain Mr. Bogle in medical consultation. If I could assure them that Bogle could survive five years, which they had been medically advised as unlikely, they would anoint him as president of the company. After examining the aforesaid John Bogle, who was then only 38 years old, I returned the call and indicated that he would outlive most of the senior members of the company's board. I am not divulging a doctor-patient confidentiality. These facts are described in Robert Slater's biography entitled "John Bogle and the Vanguard Experiment."

My Panglossian optimism, however, was not supported by the medical facts. The objective evidence was of an electrically deranged heart, for which at the time we had no name, we had no understanding of etiology, we had no concept of the

underlying pathology, we had no grasp of outcome and we had no effective treatment. In short, we were clueless. Worse still we had no rational approach against the episodic tumultuous electrical tsunamis that swept across the heart muscle undermining his survival.

I am convinced that John Bogle overcame because of a remarkable courageous hold on life. Such a hold is twined with multiple strands: an indomitable will, an exuberant optimism, a colossal storehouse of energy, a sharply targeted creativity, an abiding faith in his own destiny, a Marcus-Aurelius-like-stoicism, a sense of humor lightening morbid reality, not the least a loving commitment from family. These intangibles are not readily captured by the metrics of science. They are rarely if ever factored in the calculus of rendering a medical prognosis.

Albert Camus commented “There is only one liberty: to come to terms with death. After which everything is possible.” I am persuaded that this is an additional and ineluctable factor that accounts for John Bogle’s firm hold on life.

One concrete anecdote. As we found that exercise provoked potential lethal disorders in his heart rhythm, I was opposed to his playing squash. John insisted on active involvement in competitive sports—surfeiting his doctors with anxiety. He continued to play a ferociously competitive game of squash. Of course he assured me that he took sensible precautions. He indicated blithely that he brought a standby defibrillator to the court and instructed his opponents with its use. He joked that playing squash with a standby defibrillator within easy reach unnerved every competitor. It was not unfair, according to John, it more equally matched the two opponents by providing an exceptional psychological handicap to compensate for an exceptional physical disability.

I am not competent to speak of John Bogle's investment strategies that enriched multitudes, nor am I competent to assess his enormous impact on the financial world. But I am familiar with his moral outlook. He deemed the stewardship of financial assets as a service akin to the relation between doctor and patient. The exclusive mission was not self-enrichment but promoting a client's fiscal well being. At the beginning of the economic crisis in 2008, Gretchen Morgenson a financial editor of *The New York Times* was searching for "a bit of wisdom from a moral authority." She indicated having a hard time. She turned to John Bogle "one of the few voices of reason and integrity left in this upside-down world."

Early on I realized that John Bogle was not only my patient but my teacher as well. He taught me the meaning of hope. That lighting a candle of hope, when it is seemingly nonexistent is a supremely ethical act that fosters life affirming possibilities. Hope is the ability to struggle against obstacles when they appear larger than life. Without hope, the heart breaks.

He taught me the might of the mysterious human spirit that defines our self-awareness. It includes a commitment to serving others, a fearless dense despite our cosmic transience, and a joy in making a difference.

He taught me above all that leading a moral life can impart a tinge of divinity on flawed human beings.

So thanks, ever thanks. John you honor this award by accepting it.

Bernard Lown, M.D.

May 17, 2012

Straight from the Heart
“Efficiency and Humanity, in Medicine and Finance”
Remarks by John C. Bogle, Vanguard founder
as the Inaugural Recipient
of the Bernard Lown Humanitarian Award
at the
Mandarin Oriental
Boston, MA
May 17, 2012

Thank you so very much, Dr. Lown—Bernard—for your generous introduction. It is an incredible (and, I fear, undeserved) honor to be named as the inaugural recipient of your Humanitarian Award.

As my cardiologist from 1967 to 1987, you kept me alive, active, and engaged in life for most of the years between my first heart attack in 1961 and my heart transplant in 1996. Without your skilled care and caring I would not be here in Boston tonight, or even *here*—on this earth. Equally important, our friendship now goes back 55 years, during which you have been my confidante and my conscience, always calling on me to press on in my profession—struggling to make it a better, fairer, more sensible system for our nation’s citizen/investors.

Strange as it may seem, both finance and medicine ultimately seek efficiency and humanity. The Oxford English Dictionary II defines a humanitarian as “one who devotes himself to the welfare of mankind at large.” And while your universe of devotion to medicine is far

broader and less parochial than mine to finance, for a long time we have shared a profound concern about the change in the character of the fields of our life's work: from a *professional* culture focusing on the human beings whom we are duty bound to serve, to a *business* culture in which the proverbial "bottom line" has become the overriding goal of our enterprises. The trouble with that change must be obvious: in the words from my book *Don't Count on It!*, in today's bottom line society, we seek the *wrong* bottom line: money over achievement, form over substance, charisma over character, prestige over virtue, the ephemeral over the enduring.

Dr. Lown's concerns about the profession of medicine are almost interchangeable with my own concerns about the profession of trusteeship. Let me cite one of his paragraphs, in which I've simply changed his healthcare words into my mutual fund words—"patient" becomes "client," "doctor" becomes "money manager," and so on:

Our profession's fundamental ethics are under assault. Investment management is a calling—at its core a moral enterprise grounded in a covenant of trust between money managers and clients. The primary mission of the manager is to invest wisely, to promote the client's financial well-being. Central to the relationship is the expectation that the manager will put the needs of the client first.

And so I drive to return fund managers to their traditional commitment to serve as the honest stewards of their clients—in my case, the mutual fund shareholders whom our industry is duty bound to serve. (I should note here that both our keynote speaker Jeremy Grantham and our co-host James Joslin are both paradigms of these stewardship values, and I thank them for gracing this lovely evening with their participation.)

Of course my mission to build a better financial world will not be fully realized during my lifetime. But that knowledge hardly slows me down, for I love the battle itself. I relate to Gutzon Borglum, the determined sculptor of Mount Rushmore, who said "Life is a kind of campaign. People have no idea what strength comes to one's soul and spirit through a good

fight.” However elusive the *destination*, the real thrill is the *journey*, and I’ve had a thrilling career.

But however respected and acclaimed the movers and shakers who do their best to excel in their own fields may be, the core of our mission must focus not only on our society, but also on the individual human beings who constitute our society—the *macro*, to be sure, but let’s never forget the *micro*. I suppose this is where the word “humanitarian” enters the picture. For my part, I’ve tried to focus on the many human beings who have been clients of Vanguard—now some 15 million shareholders strong, the largest congregation of mutual fund shareholders in the world. For a quarter-century or more I have used these words to describe our mission:

Those whom we serve must be treated as honest-to-God, down-to-earth human beings, each with their own individual hopes and fears and financial goals, to treat them as we would expect the honest stewards of our own assets to treat us. *We must never let them down.*

(Hint: the Golden Rule actually works!)

I close with this personal reflection: I sometimes fear that I—and many others who have enjoyed the opportunity to have a strong impact on their chosen fields—have focused too heavily on our careers, and not enough on our families. I say that knowing that my wife Eve, five of our six children, four of our twelve grandchildren, my brother Bill, and another five members of our extended family are here tonight. To these 16 human beings, I want to say that I’m conscious of the fact that the hours of our day are limited, and that my family may have paid a price—I hope not too large a one—for my determined focus on my mission and the tasks at hand.

So to Eve and my family, and to all of you here tonight—especially Bernard Lown—and to all those investors who have believed in my investment philosophy and trusted my

stewardship, I freely concede the profound limitations of my own human being-ness. Perhaps these few lines from Eve's favorite anthem will convey some of the ambiguity of my life and even the lives of many of you here tonight. It closes, not with an answer, but with two questions about balancing work and life.

In the evening of my life I shall look to the sunset.

At a moment in my life when the night is due.

And the question I shall ask, only I can answer.

“Was I brave and strong and true?

Did I fill the world with love my whole life through?”

I believe that I've answered that first question in the affirmative. I promise to keep working on the answer to the second.

Thank you, Dr. Lown and the Lown Foundation for the great honor you bestow on me this evening, and thanks to all of you who have joined me and my family and share in this splendid event with us.

Good evening.