Sir:

As creator of the first index mutual fund, I was delighted with your generous appraisal of the utility of index funds for investors. But both in “Cheap is Cheerful” and “Will Invest for Food” (May 3, 2014), you seriously underestimated the role of index funds at Vanguard, the firm I founded 40 years ago, as well as their powerful and growing impact on the U.S. mutual fund industry.

Yes, assets of our original Vanguard 500 Index Fund now total $168 billion. (In fact, annual costs to investors run at 0.05% per year, only one-fourth of the 0.20% cost that you cite.) But the assets of its sister Vanguard (500) Institutional Index Fund total another $168 billion--$336 billion combined. Assets of our Total Stock Market Index Fund (a broader index of U.S. stocks) add another $336 billion in a substantially similar strategy, $702 billion in all.

And then there are our international (non-U.S.) stock index funds, with assets of yet another $187 billion. Add in the Total (U.S.) Bond Market Index Funds of $192 billion, and the combined assets of broad-market Vanguard index funds reach $1.1 trillion. Another 61 more specialized index funds total $561 billion. All together, index funds account for $1.6 trillion of Vanguard’s entire $2.5 trillion asset base. So, the surprise is not that the assets of Vanguard’s index funds are “not even higher”; the surprise (to many of our peers) is that is how dominant they have become. In fact, index funds have been the driving force in Vanguard’s rise to become the largest mutual fund manager in the world.

As to the fund industry in total, it is no understatement to assert that it is in the midst of an investment revolution. Since 2007, U.S. investors have withdrawn a net $517 billion from actively managed U.S. equity funds, while adding $714 billion to their holdings of passively managed index funds. This swing of $1.2 trillion in investor preference is, as far as I know, the most overwhelming turnaround in the industry’s 90-year history.

Yes, as you point out, investors need “to understand the merits of tracker [i.e., index] funds and the impact of low charges.” I’ve been beating that drum for almost four decades now, and it’s a thrill to see the investors of the world (begin to) unite behind it.

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