

**JCB Remarks at “25th Anniversary” Dinner  
May 20, 2000**

I stand before you, my fellow crew members, to thank you for this celebration of the 25<sup>th</sup> Anniversary of the company I founded on September 24, 1974. While it is doubtless traditional for the creator of a company to make a speech on such an occasion, I put you at ease by assuring you that I have no speech to make. But I do have just a few thoughts I’d like to leave with you on this gala evening.



We read much today about the need, in this decidedly new era, for what is called *business concept innovation*, the need for radical, not incremental, change. As you all recognize, that is *exactly* what Vanguard did a quarter-century ago, changing, within our first three years of existence, the very way that investors look at mutual funds.

Call it *mutualization* if you will, but the idea of funds being managed with their owners’ interests paramount began right then. That structure called for rock-bottom operating costs, a recognition that almost instantly led to our creation of the industry’s first index fund and then to the industry’s first defined-asset-class bond funds, and to the complete elimination of distributors and sales commissions. Together, these revolutionary changes have constituted the driving force that has carried us to the pinnacle of industry leadership that we enjoy today.

But even our novel corporate structure and our innovative investment strategy would not serve investors as they should without something more: a sense of stewardship for the assets of, yes, those real, honest-to-God, down-to-earth human beings who have turned over to us their *assets* and their *trust* alike. “Putting the shareholder first” is not just idle talk. To do so we would need a strong, determined, and integrity-laden crew, bound together in common cause by the idea of a powerful warship whose crew forged a chain that could be no stronger than its weakest link.

To have such a crew, we've relied heavily on traditions—some venerable, such as a spirit of fair-dealing dating back to Wellington and Walter L. Morgan, others going back to the earliest days of Vanguard, such as our Award for Excellence and the Vanguard Partnership Plan. Yes, “even one person can make a difference,” and yes, each crew member has earned the right to share in the fruits of our success.

Taken together, our structure-driven corporate strategy, our innovative investment ideas, and our progressive implementation of business values have made Vanguard an industry revolutionary: *A company that stands for something.* And the world knows what it is we stand for: *The primacy of the shareholder. Stewardship.* With the power of an idea we have flourished. I know no other firm in this industry about which that can be said with such crystal clarity.

What of the future? “The times they are a changin.” What does a revolutionary firm do? Live off the legacy I have put my heart and soul into giving you, or build on the legacy? The answer to that question, ladies and gentleman, is in your hands, no longer in mine. But as you make these decisions, please remember that we will be judged not only by what we do but what we refrain from doing. Opportunity yes, but discipline too. And confidence. And courage, always.

I do not believe it is possible—*ever*—to improve on our basic strategy of providing investors with virtually 100% of the long-term returns available in the financial markets, simply by owning those very markets at minimal cost. By doing so, we have stripped the mystery from the investment process. You've heard me call our structure “the majesty of simplicity in an empire of parsimony.” And it works! If we remain faithful to that legacy, I assure you, this enterprise—of the shareholder, by the shareholder, and for the shareholder—shall not perish from the earth.

“Press on, regardless,” and stay the course.