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Vanguard Launches 2 Intermediate Municipal Bond ETFs.

Municipal bonds offer a mix of relative quality and yield. So the timing couldn't be more auspicious for exchange traded fund (ETF) provider Vanguard to debut a pair of muni-focused funds. The Vanguard Intermediate-Term Tax-Exempt Bond ETF (VTEI) and the Vanguard California Tax-Exempt Bond ETF (VTEC) allow fixed income investors to reap the benefits of muni funds, each having their own strategic focus. Both funds launched today on the Cboe BZX Exchange.

In times of high inflation, these funds offer cost-conscious investors muni exposure at low expense ratios. VTEI and VTEC both have a 0.08% expense ratio, making them more cost-effective versus comparable funds in their respective space.

In the current macroeconomic environment, more fixed income investors are willing to step farther out on the yield curve to extract more yield. With the expectation that interest rates will fall this year, getting intermediate exposure via bonds with longer maturities will allow fixed income investors to lock in current yields.

That said, VTEI is ideal for investors looking for more yield while maintaining the credit quality offered by municipal debt. As mentioned, the added tax benefits of municipal debt cater to investors searching for funds that not only add income but can help minimize their tax burden. Overall, VTEI can stand alone as an investor's sole fixed income exposure or complement Vanguard's existing short-term and broad market national tax-exempt ETFs.

Fixed income investors may also want to reap the benefits of certain state-specific debt. In the case of California, VTEC is an ideal, cost-effective solution. The fund also caters to tax-sensitive investors and focuses on an intermediate-term time horizon to strike a balance between yield and mitigating rate risk. Overall, the fund provides yield that is tax exempt at both the federal and state levels for California residents.

Backed by an Experienced Management Team

While there are several ETFs on the market for muni bond exposure, Vanguard has a proven track record that extends beyond fixed income funds. Its full array of ETF products can offer broad-based exposure or more strategic exposure when a tailored portfolio approach is necessary.

Furthermore, Vanguard's Fixed Income Group consists of an experienced municipal portfolio management team with proven expertise, along with an aforementioned track record for producing strong client outcomes. Munis can be a complex segment of the bond market, but Vanguard's municipal bond team includes 40 tenured portfolio managers, traders, and analysts with deep experience, scale, and sophisticated strategies to deftly navigate the market.

ETF TRENDS

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