

Bond Case Briefs

Municipal Finance Law Since 1971

Vanguard Launches Two Active Municipal ETFs.

VALLEY FORGE, PA (November 21, 2024)—Vanguard today launched Vanguard Core Tax-Exempt Bond ETF (VCRM) and Vanguard Short Duration Tax-Exempt Bond ETF (VSDM), two active municipal ETFs managed by Vanguard Fixed Income Group. The new ETFs offer diversified exposure to municipal bonds across sectors, states, and credit quality with the potential to outperform their benchmarks over the long term.

“These new ETFs combine our top-tier active fixed income capabilities with our expert municipal bond team, all within an actively managed ETF wrapper that’s becoming an essential for many investors,” said Sara Devereux, Global Head of Vanguard Fixed Income Group. “We envision these ETFs playing an integral role in investors’ portfolios; with Vanguard Core Tax-Exempt sitting centrally as part of their tax-exempt allocation and Vanguard Short Duration Tax-Exempt leveraging our expert active capabilities, helping investors to get the most out of their short-term allocation.”

Vanguard Core Tax-Exempt Bond ETF offers broad exposure to high-quality municipal bonds with an expense ratio of just 0.12% compared with the average expense ratio for competing funds of 0.36%.¹ It will be managed by industry veteran Stephen McFee. With two decades of experience at Vanguard, McFee has successfully managed several active mutual funds and indexed ETFs in our fixed income offerings.

Vanguard Short Duration Tax-Exempt Bond ETF is designed for investors seeking tax-exempt municipal income at the short end of the yield curve. Investors in the ETF can expect a portfolio of short-duration and primarily high-quality, investment-grade municipal bonds that generates tax-exempt income with lower interest rate sensitivity. Adam Ferguson, who has successfully managed Vanguard municipal funds for more than 20 years, will oversee management for this fund. It has an estimated expense ratio of 0.12%, compared with the average of 0.27%¹ for competing funds.

Vanguard Core Tax-Exempt Bond ETF and Vanguard Short Duration Tax-Exempt Bond ETF provide an active counterpart to Vanguard’s existing suite of index municipal ETFs and build on Vanguard’s growing active fixed income ETFs alongside the recently launched Vanguard Core Bond ETF (VCRB) and Vanguard Core-Plus Bond ETF (VPLS).

Vanguard Fixed Income Group

With more than \$2.4 trillion globally in fixed income assets under management, Vanguard Fixed Income Group is one of the world’s largest managers of bond mutual funds and ETFs,² overseeing the full spectrum of fixed income asset classes and sectors. The new ETFs will be managed by Vanguard Fixed Income Group’s municipal team, which has proven expertise and a track record of producing strong client outcomes across Vanguard’s extensive municipal bond fund lineup. The municipal team includes 40 tenured portfolio managers, traders, and analysts, who leverage their deep experience, scale, and sophisticated processes to navigate this complex segment of the fixed income market.

Vanguard’s track record as an investment manager remains unparalleled—95% of Vanguard active

fixed income funds outperformed their peer group averages over the past ten years ended September 30, 2024.³

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About Vanguard

Founded in 1975, Vanguard is one of the world's leading investment management companies. The firm offers investments, advice, and retirement services to individual investors, institutions, and financial professionals. Vanguard operates under a unique, investor-owned structure where Vanguard's fund shareholder clients own the funds, which in turn own Vanguard. As such, Vanguard adheres to a simple purpose: To take a stand for all investors, to treat them fairly, and to give them the best chance for investment success. For more information, visit [vanguard.com](https://www.vanguard.com).

All figures as of September 30, 2024, unless stated otherwise.

1 Morningstar data as of September 30, 2024.

2 Assets under management figures as of September 30, 2024

3 For the ten-year period ended September 30, 42 of 44 Vanguard active bond funds outperformed their peer group averages; results will vary for other time periods. Only funds with a minimum ten-year history were included in the comparisons. (Source: Lipper, a Thomson Reuters Company.)