Index

Accountants, public, 57–58
Accounting, creative, 47
Acquisition, in mutual fund industry, 120
Actively managed equity funds. See also Equity mutual funds evaluating fund managers, 305–308
holding periods, 42, 233
returns, 182, 183
success, standards for, 297–298
turnover rates, 42, 233
Admiral shares, Vanguard, 190
Advertising, 153–154
Affiliated Managers Group (AMG), 121
Agency relationship, defined, 34
Agency society, 10–11, 18, 29–30, 30–32
Agents, defined, 32
Aguilar, Luis, 97
Alito, Samuel, 55
Alpha, 13, 223
Ambachtsheer, Keith, 213, 239–241
American Century, 121
American Express, 174
American Federation of State, County, and Municipal Employees (AFSCME), 84–87
American Funds: distribution unit, 115
proxy votes, 84, 85, 86, 87
Stewardship Quotient, 163–165
American National Bank (Chicago), 174
Ameriprise Financial, 116, 117–118
Apartheid, 72
Archilochus, 318
Aspen Institute, 48, 51
Asset allocation, 231–232, 234–237, 246–247, 311
Asset managers, 224
Assets:
  bond mutual funds, 104–105
  equity mutual funds, 104
  exchange traded funds, 192, 193, 325
  gathering by mutual funds, 115–116
  money market funds, 105
  mutual fund industry, 104–105
  traditional index funds, 192, 193, 325
  Wellington Fund, 260, 266, 269, 279, 287
Avery, Sewell L., 66
Bajakian, Vincent, 285
  See also Wellington Fund
Barclay’s Aggregate Bond Index, 186, 188
Batterymarch Financial
  Management, 174
Berkshire Hathaway, 92, 221
Berle, Adolph A., 32–33, 37
Berle-Means paradigm, 32–33, 37
Beta, as volatility measure, 106, 262–264, 276
“Big Five” fund complexes, 120
BlackRock, 84, 85, 86, 87, 120
Blankfein, Lloyd C., 5
Blinder, Alan, 143
Board leadership, 162
Boards, composition of, 161–162
Bogle on Mutual Funds (Bogle), 176
Bond mutual funds, 104–105, 108, 187–189, 190. See also specific
  funds
Boston Security Analysts Society, 177
Bousa, Edward, 285, 286
“Breaking the Short-Term Cycle,”
  48, 51
Brennan, John, 74, 75–76, 87
Buffett, Warren, 22, 48, 61, 69, 92, 93
Bull markets, 11–12
Business school curricula, 21
Buy-side analysts, 59
Cabot, Walter M., 271–272,
  276–277
California State Teachers Retirement
  Systems (CalSTRS), 96
Cantor Fitzgerald, 9–10
Capital, cost of, 94–95
Capital formation, 4–6
Capital Group, The, 163
Capitalists, forced, 35
“Capture” (Monks), 81–83
Casinos, stock market compared to,
  7, 9–10, 316
Century Shares Trust, 258
CEO pay. See Executive
  compensation
Certified public accountants (CPAs), 57–58
Cervantes Saavedra, Miguel de, 315
CGM Focus Fund, 302
“Challenge to Judgment”
  (Samuelson), 170–171
Chartered Financial Analyst (CFA)
  Institute Centre for Financial
  Market Integrity, 48, 51
Index

Citigroup, 96, 143
Citizens United case (2011), 54—55, 81—82, 96—97, 98, 99
Claw-back provisions, 95
Closed-end mutual funds, 38
Cohen, Manuel F., 119
Colonial Index Trust, 178
Columbia Management, 116, 117—118
Commission on Private Enterprise and Public Trust, 51—52
Commissions on stock trading, 11
Common Sense on Mutual Funds (Bogle), 124, 125
Company stock, employer, 231—232
Compound interest, 312—313
Conference Board Commission, 51—52
Conflicts of interest, 224—225
Conglomeratization of mutual fund industry, 116, 118—138
Congress, 53—54
Consumer Financial Protection Bureau, 54, 217
Corporate democracy, 84, 99—101
Corporate Finance Review, 318
Corporate governance:
activism, cost of, 68—69
activism, increase in, 72—73
agency society and, 18
Conference Board Commission recommendations, 52
institutional investors, mobilizing, 76—79
obstacles to mutual fund activism, 67—72
owners, acting like, 79—84
“people-who-live-in-glass-houses” syndrome, 69—72
proxy vote disclosure, 73—76
proxy voting, AFSCME study on, 84—87
role of, 65—66
Corporations. See also specific corporations
debt, 6
directors of, 60—61
growth rate, 31
lobbying power of, 82
pension plan manager conflicts of interest, 224
politics and, 54—55, 81—82, 96—101
value, creation of, 42—43
Cost-benefit analysis, 55, 78—79
Cost Matters Hypothesis (CMH), 172
Cost of capital, 94—95
Costs:
activism, 68—69
decline in, 11
equity mutual funds, 108, 145, 148, 233
excessive, 220, 233, 237
expense ratio, average, 108
importance of, 7, 9
management fees and operating expense ratios, 145, 148—149
minimizing, 318
mutual fund industry, 110—114
retirement system, 220, 233, 237
transaction, 11
Wellington Fund, 288—291, 292, 335—336
Council for Institutional Investors, 97
CPAs (certified public accountants), 57—58
Credit Suisse, 208
Culture, national, 13
Data, 12–13, 20–21
Debt, corporate, 6
Defined benefit (DB) pension plans.
See also Retirement system
conflicts of interest, 224–225
decline in, 39–40, 81
design problems with, 240
returns, projected, 219–220,
221–223
underfunding of, 219, 226–227
Defined contribution (DC) pension
plans. See also Retirement system
design problems with, 240
growth in, 39–40, 227–228
passively managed index funds
in, 232
simplifying, 241–242
speculative investment options
in, 220
Delaware, 79
Democracy, corporate, 84, 99–101
Derivatives, 6–7
Dimensional Fund Advisors, 87
Directors, 60–61
Diversification, 150–151, 315–316
Dodd-Frank Wall Street Reform and
Consumer Protection Act
(2010), 24, 54, 95
“Do ETFs Badly Serve Investors?”
(Tower and Xie), 196
Domestic equity mutual funds,
66–67, 234–237
Double-agency society, 29–30,
30–32
Earnings, managed, 46–52
Econometric techniques, 12–13,
20–21
“Economic Role of the Investment
Company, The” (Bogle), 170
Efficient Market Hypothesis
(EMH), 171–172
Ellis, Charles D., 171
Emerging markets stock funds, 190
Employee Retirement Income
Security Act (ERISA), 232, 250
Employer, stock of, 231–232
Equity diversification, 150–151,
315–316
Equity index funds, 178–179,
245–246
Equity mutual funds. See also
Actively managed equity funds
assets, 104
costs, 108, 145, 148, 233
domestic, 66–67, 234–237
emerging markets, 190
expense ratio, average, 108
failure of, 181
large-cap, 111–112
number of, 108
returns, 112–113, 114, 145,
148, 233, 323
small capitalization, 189
volatility, increase in, 106
Equity ownership, institutional,
37–39, 40, 41
ERISA (Employee Retirement
Income Security Act), 232, 250
Essinger, Jesse, 5
Estrada, Javier, 315
Exchange traded funds (ETFs):
assets, 192, 193, 325
Economist on, 206–207
future of, 209–210
growth in, 325
history of, 196–203
holding periods, 199
institutional versus individual investors in, 209
managers, leading, 202
number of, 325
problems with, 207–208
profile focus and selection risk, 193
profile of, 194, 195
returns, 203–205
as speculation, 297
trading volumes, 192–193
traditional index funds versus, 192–194
turnover, 199
Vanguard, 199–202
*Wall Street Journal* listing of, 198–199
Exchange traded notes (ETNs), 208
Executive compensation:
average worker’s pay compared to, 90
cost of capital and, 94–95
highest, 88–89
increase in, 90–91
ratchet effect, 92–93
reform, progress on, 95–96
reform suggestions, 93–95
as “smoking gun,” 81
tax surcharge on, 91
*Exile on Wall Street* (Mayo), 60
Expectations, investment, 311–315
Expectations market, 16–17
Expenses. See Costs
“Extended Market” portfolio (Vanguard), 189
Exxon Mobil, 222
Fama, Eugene, 171
Federal government Thrift Savings Plan, 38, 228–229
Federal Reserve Board, 56–57
Federal Retirement Board (proposed), 241–242, 245–246, 247, 248, 249, 250
Federation of Long-Term Investors, The (proposed), 69
Fidelity Magellan Fund, 71–72, 157, 158, 236, 291, 303
Fidelity Management Company: corporate governance, 70–72
exchange traded funds, 202–203
marketing, 118
political contributions, 99
proxy votes, 84, 85, 86, 87
Fiduciary business, mutual fund industry as, 136–138
Fiduciary duty, 32, 80, 250
Fiduciary society, building, 135–136
*Financial Analysts Journal*, 208
Financial incentives offered in investment industry, 13, 18–19
Financial Industry Regulatory Authority (FINRA), 162–163, 232
Financial press, 58–59
Fink, Matthew P., 137, 139–140
First Index Investment Trust. See Vanguard 500 Index Fund
Fisher, Peter, 188
“Five Ps,” 309
Flexibility, excess in, 230–231, 243–244
Forced capitalists, 35
*Fortune* magazine, 43
401(k) retirement plans. See also Retirement system about, 228–230
asset allocation and investment selection, 231–232, 234–237
balance, median, 218
401(k) retirement plans (continued)
costs, excessive, 233, 237
flaws in, 230–238
flexibility, excessive, 230–231, 243–244
instructor education, lack of, 238
longevity risk, failure to deal with, 237–238
mutual funds in, 234–237
“Four Ps,” 309
Friedman, Milton, 174–175
Fund management companies/ managers:
conflicts of interest, 224
evaluating, 309
exchange traded funds, 202
executive compensation, 89
experience and stability of, 158–159
manager culture, change in, 107
organization of, 127–130, 160–161
ownership of, 110, 120–121, 124–127
pension fund managers compared to, 67
performance ranks of major, 321–322
structure of, 127–130, 160–161
Gatekeepers, failure of:
Congress, 53–54
directors, 60–61
Federal Reserve Board, 56–57
financial press, 58–59
judiciary, 54–55
public accountants, 57–58
rating agencies, 57
Securities and Exchange Commission, 55–56
security analysts, 59–60
stock owners, 61–62
General Electric, 221
Glass-Steagall Act (1933), 24, 53, 54
Goldman Sachs, 122
Goldschmidt, Harvey, 139–140
Graham, Benjamin, 14–15, 29, 46, 261, 297
Grantham, Jeremy, 174, 298
Greenspan, Alan, 56–57
Grinold, Richard, 317–318
Haaga, Paul G., Jr., 140
Haldeman, Charles E. (Ed), 142
Hamilton, Alexander, 138
Happy conspiracy, defined, 30
Hedge funds, 12
Hedgehog/fox metaphor, 321
High-frequency traders (HFTs), 3–4
Hill, John A., 126
Holding periods:
actively managed equity funds, 42, 233
exchange traded funds, 199
index funds, 42
mutual funds, 40, 42, 105, 113–114, 233
Stewardship Quotient and, 149–150
stock market, 2–3
Horace, 295
Household savings rate, 215–217
“How Index Trading Increases Market Vulnerability” (Sullivan and Xiong), 208
IBM, 81
Impulses, avoiding, 312–313
Incorporated Investors, 257
Index funds. See also Exchange traded funds (ETFs); Traditional index funds (TIFs)
assets, 168
bond, 187–189
in defined contribution plans, 232
equity, 178–179, 245–246
failed attempts to develop, 173–175
future of, 209–210
growth and value, 190
growth in, 325
holding periods, 42
as portfolio core, 296–297
REIT, 191
returns, 183
tax-managed, 190–191
turnover rates, 42
Individual retirement accounts (IRAs), 228, 231
Industrial and Power Securities Company. See Wellington Fund
Insider ownership, 159–160
Institutional equity ownership, 37–39, 40, 41, 76–79–209
Institutional Shareholder Services, 96
Interest, compound, 312–313
International funds, 189, 190, 191
“Investing in the Twenty-First Century” (Estrada), 318
Investment committees, 159, 270
Investment Company Act (1940), 38, 144, 208, 289, 296
Investment Company Institute, 139–140, 160, 231
Investment expectations, 319
Investment industry, financial incentives in, 13, 18–19
Investment Insights, 317–318
Investment return:
  fund returns versus, 113, 114, 203–205
  market returns versus, 44–45, 242–243
  speculative return versus, 315–317
Investment success, rules for, 310–322
Investor education, lack of, 238
IRAs (individual retirement accounts), 228, 231
Janus Capital Group, 70
Janus Fund, 301
Jensen, Michael C., 33–34
Johnson, Edward C., III, 70–72, 74, 75–76
Johnson & Johnson, 100–101
Jones v. Harris Associates, 55
Journal of Corporation Law, The, 34–37
JPMorgan Chase, 121
Judiciary, 54–55. See also specific cases
Kaufman, Henry, 20–21
Kennedy, Anthony M., 99
Keynes, John Maynard, 1, 15, 16–17, 26–27, 46, 225
Khurana, Rakesh, 225
Kroner, Kenneth, 317
Large-cap funds, 111–112
Lasser, Lawrence, 124–125, 126
Legg Mason Value Trust Fund, 302
Levitt, Arthur, 47, 56, 58
LifeStrategy Portfolios (Vanguard), 190, 191, 192
Loads, sales, 155
Lobbying power of corporations, 82
Lomborg, Bjorn, 55
Longevity risk, 237–238, 247–248, 249–250
Longleaf, 163–165
Long-term thinking, 310–311
“Loser’s Game, The” (Ellis), 171
Lowenstein, Louis, 68
Lowenstein, Roger, 79, 142–143
Lynch, Peter, 157

Mackie, James, 100–101
Madison, James, 79
Magellan Fund, 71–72, 157, 158, 236, 291, 300–301
Malkiel, Burton G., 171, 278, 315
Managed earnings, 46–52
Management contracts, “trafficking” in, 117, 120–121
Management fees and operating expense ratios, 145, 148–149
Manager culture, change in, 107
Market, real versus expectations, 16–17
Marketing orientation, 151–153
Marketing strategy, 129–130
Market returns, 44–45, 242–243
Marsh & McLennan, 124–125, 126–127
Massachusetts Investors Trust (MIT), 38, 115, 256
Mayer, Martin, 271
Mayo, Mike, 59–60
McQuown, John A., 173
MeadWestvaco/Mead Corporation, 43
Means, Gardiner C., 32–33, 37
Meckling, William H., 33–34
Miller, George, 174
Minsky, Hyman, 22
Mobilizing institutional investors, 76–79

Modern Corporation and Private Property, The (Berle and Means), 32–33
Money magazine, 154
Money market funds, 105, 108
Monks, Robert A. G., 80, 81–83, 96
Montgomery Ward, 66
Moody’s, 57
Morgan, Walter L., 251, 253–255, 278, 293
Morningstar, 111, 163, 165, 167, 209
Morningstar Analyst Ratings, 307–308
Most, Nathan, 196–198
Mutual fund industry:
acquisition in, 120
assets, growth in, 104–105
“Big Five” fund complexes, 120
business model, change in,
114–116, 117–118
changes in, 104–109
conglomeratization of, 116,
118–138
corporate structure and fund performance, 121–123
costs and performance, 110–114
as fiduciary business, 136–138
fiduciary society, building,
135–136
fund organization structure,
127–130
future change, likelihood of,
123–127
investment operations, change in,
105–107
management contracts,
“trafficking” in, 117, 120–121
manager culture, change in, 107
pioneers, 255–259
Index

product proliferation, rise in, 107–108
scandals, 140–142, 143, 160
strategy and structure, 128–130
Mutual funds. See also Corporate governance; specific funds and types of funds
asset gathering by, 115–116
balanced, 189–190, 264–265, 333–334
bond, 104–105, 108, 187–189, 190
closed-end, 38
directors of, 60–61
domestic equity, 66–67, 234–237
failure of, 108–109, 257
in 401(k) retirement plans, 234–237
holding periods, 40, 42, 105, 113–114, 233
large-cap, 111–112
money market, 105, 108
number of, 107–108
open-end, 38
ownership revolution and, 40, 41
pioneers, 255–259
proxy vote disclosure by, 73–76
rise of, 38–39
as short-term holders of stocks, 67–68
size, limitations on, 157–158
target retirement, 190, 192, 246
technology, 152
turnover, 40, 42, 105, 113–114, 233
Mutual structure, 248–249
“My Faith-Based Retirement” (Nocera), 243–244
My Own Money (MOM), as term, 143
National culture, 13
National savings, inadequacy of, 215–217
Negative Alpha, 223
New Breed on Wall Street, The (Mayer), 271
New Pension Plan, The, 238–241
Newsweek, 172, 175
New Yorker, 57
New York Society of Financial Analysts, 14–15
New York Times Magazine, The, 142–143
Nocera, Joe, 243–244
Occam’s Razor, 172, 314, 315
Offshore removal of property, 82
On Money and Markets (Kaufman), 20–21
Open-end mutual funds, 38
Options, stock, 58, 90, 92
Organizational structure:
  fund performance and, 121–123
  mutual, 248–249
  in mutual fund industry, 127–130
Stewardship Quotient and, 160–161
Vanguard, 130–135
Other People’s Money (OPM), as term, 143
Otter, Jack, 148
“Overcoming Short-Termism,” 48, 51
Ownership:
corporate governance and, 79–84
fund management company, 110, 120–121, 124–127
insider, 159–160
Ownership (continued)
revolution in, 37–39, 40, 41
rights and responsibilities of, 79

Pacific Investment Management
Company (PIMCO), 120
Passively managed index funds.
See Index funds
Past, dealing with the, 320
PBHG Growth Fund, 304–305
Pension Benefit Guaranty
Corporation, 227
Pension fund managers, 67
Pension plans. See Defined benefit
(DB) pension plans; Defined
contribution (DC) pension plans;
Retirement system
“People-who-live-in-glass-houses”
syndrome, 69–72
PIMCO (Pacific Investment
Management Company), 120
Pioneer Fund, 258–259
Politics, 54–55, 81–82, 96–101
Portfolio managers, experience and
stability of, 158–159
Portfolio turnover:
actively managed equity funds, 42, 233
exchange traded funds, 199
index funds, 42
mutual funds, 40, 42, 105,
113–114, 233
Stewardship Quotient and,
149–150
Positive Alpha, 13
Press, financial, 58–59
Pricing strategy, 128–129
PRIMECAP Management
Company, 236, 307–308
Principals, 32, 136
Product, as term, 152
Product proliferation, in mutual
fund industry, 107–108
Product strategy, 129
Profit strategy, 128
Proxy statement access by institutional
investors, proposed, 77–78
Proxy vote disclosure by mutual
funds, 73–76
Prudent Man Rule, 320
Public accountants, 57–58
Putnam, Samuel, 320
Putnam Management Company,
124–127, 142, 163–165
Quantitative techniques, 12–13,
20–21

Random Walk Down Wall Street,
A (Malkiel), 171
Rappaport, Alfred, 48–51
Rating agencies, 57
Real market, 16–17
Redemptions, shareholder,
156–157, 192–193
Regulatory issues, 23–24,
162–163
REIT index fund, 191
Retirement accumulation,
inadequate, 218
Retirement system:
about, 213–215
Ambachtsheer, Keith, on,
239–241
asset allocation and investment
selection, 231–232, 234–237
components, 226–228
conflicts of interest, 224–225
costs, excessive, 220, 233, 237
current, 226–238
<table>
<thead>
<tr>
<th>Flaws in, 230–238</th>
<th>Reversion to the mean (RTM), 301–307, 311–312</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility, excessive, 230–231, 243–244</td>
<td>Riepe, James S., 169</td>
</tr>
<tr>
<td>401(k) retirement plans, 228–238</td>
<td><em>Rise of Mutual Funds, An Insider’s View</em> (Fink), 136–137</td>
</tr>
<tr>
<td>Ideal, 249–250</td>
<td>Risk:</td>
</tr>
<tr>
<td>Investor education, lack of, 238</td>
<td>asset allocation and, 246–247</td>
</tr>
<tr>
<td>Longevity risk, failure to deal with, 237–238</td>
<td>longevity, 237–238, 247–248, 249–250</td>
</tr>
<tr>
<td>Mutual funds in, 234–237</td>
<td>managing, 129, 315–316, 317</td>
</tr>
<tr>
<td><em>New Pension Plan, The</em>, 238–241</td>
<td>selection, 193</td>
</tr>
<tr>
<td>Pensions, underfunded, 219–220, 221–223</td>
<td>Roosevelt, Theodore, 23</td>
</tr>
<tr>
<td>Recommendations, 241–249</td>
<td>Rules for investment success, 310–322</td>
</tr>
<tr>
<td>Retirement accumulation, inadequate, 218</td>
<td>Sales loads, 155</td>
</tr>
<tr>
<td>Savings, inadequacy of, 215–217</td>
<td>Samuelson, Paul:</td>
</tr>
<tr>
<td>“Seven Deadly Sins,” 218–225</td>
<td>Boston Security Analysts Society speech, 177</td>
</tr>
<tr>
<td>Stock market collapse and, 218–219</td>
<td><em>Economics</em>, 175–176</td>
</tr>
<tr>
<td>Value extracted by financial sector, 225–226</td>
<td>mutual fund management companies, investment in, 110</td>
</tr>
<tr>
<td>Returns:</td>
<td><em>Newsweek</em> column, 172, 175</td>
</tr>
<tr>
<td>Asset allocation and, 246–247</td>
<td>relationship with author, 176–177</td>
</tr>
<tr>
<td>Balanced funds, 264–265</td>
<td>Sarbanes-Oxley Act of 2004 (SOX), 53, 95</td>
</tr>
<tr>
<td>Defined benefit pension plans projections of, 219–220, 221–223</td>
<td>Sauter, Gus, 199</td>
</tr>
<tr>
<td>Equity mutual funds, 112–113, 114, 145, 148, 233, 323</td>
<td><em>Saving Capitalism from Short-Termism</em> (Rappaport), 48, 49–51</td>
</tr>
<tr>
<td>Large-cap funds, 111–112 market, 44–45, 242–243</td>
<td>“Say-on-pay” votes, 95–96</td>
</tr>
<tr>
<td>Mutual fund industry, 110–114 speculative, 311–312</td>
<td>Scandals, mutual fund industry, 140–142, 143, 160</td>
</tr>
<tr>
<td>Wellington Fund, 12, 264–265, 292, 327–329</td>
<td>Schapiro, Mary, 5, 56</td>
</tr>
<tr>
<td>Scudder Stevens &amp; Clark Balanced Fund, 257–258</td>
<td></td>
</tr>
</tbody>
</table>
marketing orientation, 151–153
organization of manager, 160–161
portfolio managers, experience and
stability of, 158–159
portfolio turnover, 149–150
Putnam, 163–165
regulatory issues, 162–163
sales loads, 155
scoresheet, 146–147
shareholder stability, 156–157
shelf space, 154–155
Vanguard, 163–165
Stock, employer company, 231–232
Stock market:
annual returns, 44–45
casinos compared to, 7, 9–10, 318
collapse of, 218–219
holding periods, 2–3
owning through equity index
funds, 245–246
purpose of, 8
return and risk, 242–243
turnover statistics, 2–3
Stock options, 58, 90, 92
Stock trading, 11, 23
Stone, Harlan Fiske, 131–132
Strategy:
marketing, 129–130
pricing, 128–129
product, 129
profit, 128
service, 129
Vanguard, 130–135
Strine, Leo, 34–37
Structure:
fund performance and, 121–123
mutual, 248–249
in mutual fund industry, 127–130
Stewardship Quotient and,
Vanguard, 130–135
Sullivan, Rodney, 208
Summers, Lawrence, 68
Swensen, David F., 248–249
T. Rowe Price, 110, 122
T. Rowe Price Growth Fund, 303
Target retirement funds, 190,
192, 246
Taxes, 11, 22–23, 91
Tax-managed index funds, 190–191
Technology mutual funds, 152
“Theory of the Firm” (Jensen and
Meckling), 33–34
Thinking, long-term, 310–311
Thorndike, Doran, Paine & Lewis,
270–271
Thrift Savings Plan (federal
government), 38, 228–229
TIAA-CREF, 68–69,
174–175, 238
TIFs. See Traditional index funds
(TIFs)
Time, as your friend, 312–313
Timing scandal, 140–142, 160
Tobin, James, 22, 225
“Toward Common Sense and
Common Ground?” (Strine),
34–37
Tower, Edward, 196
Trading cost of transactions, 11
Trading volumes, 192–193
Traditional index funds (TIFs).
See also Index funds
assets, 192, 193, 325
exchange traded funds versus,
192–194
future of, 209
Traditional index funds (TIFs) (continued)
growth in, 325
number of, 325
as portfolio core, 296–297
profile of, 180, 181
trading volumes, 192
“Trafficking” in management contracts, 117, 120–121
Transactions:
cost of, 11
taxes on, 22–23
Trends, 319–320
Turner, Adair, 19
Turner, Lynn, 96, 224
Turnover:
actively managed equity funds, 42, 233
exchange traded funds, 199
index funds, 42
mutual funds, 40, 42, 105, 113–114, 233
Stewardship Quotient and, 149–150
stock market, 2–3
Twardowski, Jan M., 169
12b-1 fees, 155

Value, corporate, 42–43
Vanguard:
Admiral shares, 190
balanced index fund, 189–190
bond funds, defined-maturity, 190
cash flow, 123
emerging markets stock fund, 190
exchange traded funds, 199–202
“Extended Market” portfolio, 189
growth and value index funds, 190
history, 130–135, 278
index fund family milestones, 184, 189–192
international funds, 189, 191
LifeStrategy Portfolios, 190, 191, 192
proxy votes, 84, 85, 86, 87
REIT index fund, 191
small capitalization stock fund, 189
Stewardship Quotient, 163–165
structure and strategy, 130–135
tax–managed index funds, 190–191
Vanguard 500 Index Fund, 167–170, 177, 180–183
Vanguard Institutional Index Fund, 189
Vanguard PRIMECAP Fund, 307–308
Vanguard Total Bond Market Index Fund, 184–187, 188
Vanguard Total Stock Market Index funds, 177
Vanguard Wellington Fund.
See Wellington Fund
Vanguard Windsor Fund, 306
Volatility, 106, 262–264, 276
Volcker Rule, 54

“Wall Street Casino, The” (Bogle), 7
Wall Street Journal, The, 55, 74, 75–76, 87, 96, 198–199
Wealth of Nations, The (Smith), 32
Wellington Fund:
about, 251–253
advisory fees, 288–291
Annual Report (1967), 271–272
<table>
<thead>
<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Report (2000), 286</td>
<td></td>
</tr>
<tr>
<td>Annual Report (2010), 286</td>
<td></td>
</tr>
<tr>
<td>assets under management, 260, 266, 269, 279, 287</td>
<td></td>
</tr>
<tr>
<td>Beta, 262–264, 272, 273–274, 276, 331–332</td>
<td></td>
</tr>
<tr>
<td>dividend income projections, 283</td>
<td></td>
</tr>
<tr>
<td>dividend policy, 266–269</td>
<td></td>
</tr>
<tr>
<td>dividends, 286–287</td>
<td></td>
</tr>
<tr>
<td>equity ratio, 262–264, 331–332</td>
<td></td>
</tr>
<tr>
<td>expenses, 288–291, 292, 335–336</td>
<td></td>
</tr>
<tr>
<td>Fall (1967–1978), 264, 271–277</td>
<td></td>
</tr>
<tr>
<td>founding, 253–254</td>
<td></td>
</tr>
<tr>
<td>income strategy, implications of, 282–284</td>
<td></td>
</tr>
<tr>
<td>investment committee, 270</td>
<td></td>
</tr>
<tr>
<td>lessons from, 259–261, 297–298</td>
<td></td>
</tr>
<tr>
<td>memo on restructuring, 278, 279–284</td>
<td></td>
</tr>
<tr>
<td>memo on speculation, 273–276</td>
<td></td>
</tr>
<tr>
<td>naming of, 254–255</td>
<td></td>
</tr>
<tr>
<td>other balanced funds versus, 333–334</td>
<td></td>
</tr>
<tr>
<td>other pioneer funds compared to, 259</td>
<td></td>
</tr>
<tr>
<td>performance, 327–329, 333–334</td>
<td></td>
</tr>
<tr>
<td>portfolio approach to higher income, 281–282</td>
<td></td>
</tr>
<tr>
<td>restructuring memo, 278, 279–284</td>
<td></td>
</tr>
<tr>
<td>returns, 12, 264–265, 292, 327–329</td>
<td></td>
</tr>
<tr>
<td>shareholder objectives survey, 281</td>
<td></td>
</tr>
<tr>
<td>speculation memo, 273–276</td>
<td></td>
</tr>
<tr>
<td>Wellington Management Company, 131–133, 135, 264, 270–271, 288–289</td>
<td></td>
</tr>
<tr>
<td>See also Vanguard</td>
<td></td>
</tr>
<tr>
<td>Wells Fargo Bank, 173–174</td>
<td></td>
</tr>
<tr>
<td>Wells Fargo index fund, 178</td>
<td></td>
</tr>
<tr>
<td>West, Steven, 180–181</td>
<td></td>
</tr>
<tr>
<td>Wilde, Oscar, 17</td>
<td></td>
</tr>
<tr>
<td>Xie, Ming, 196</td>
<td></td>
</tr>
<tr>
<td>Xiong, James X., 208</td>
<td></td>
</tr>
<tr>
<td>Yacktman, 121</td>
<td></td>
</tr>
<tr>
<td>Zero Alpha, 223</td>
<td></td>
</tr>
</tbody>
</table>