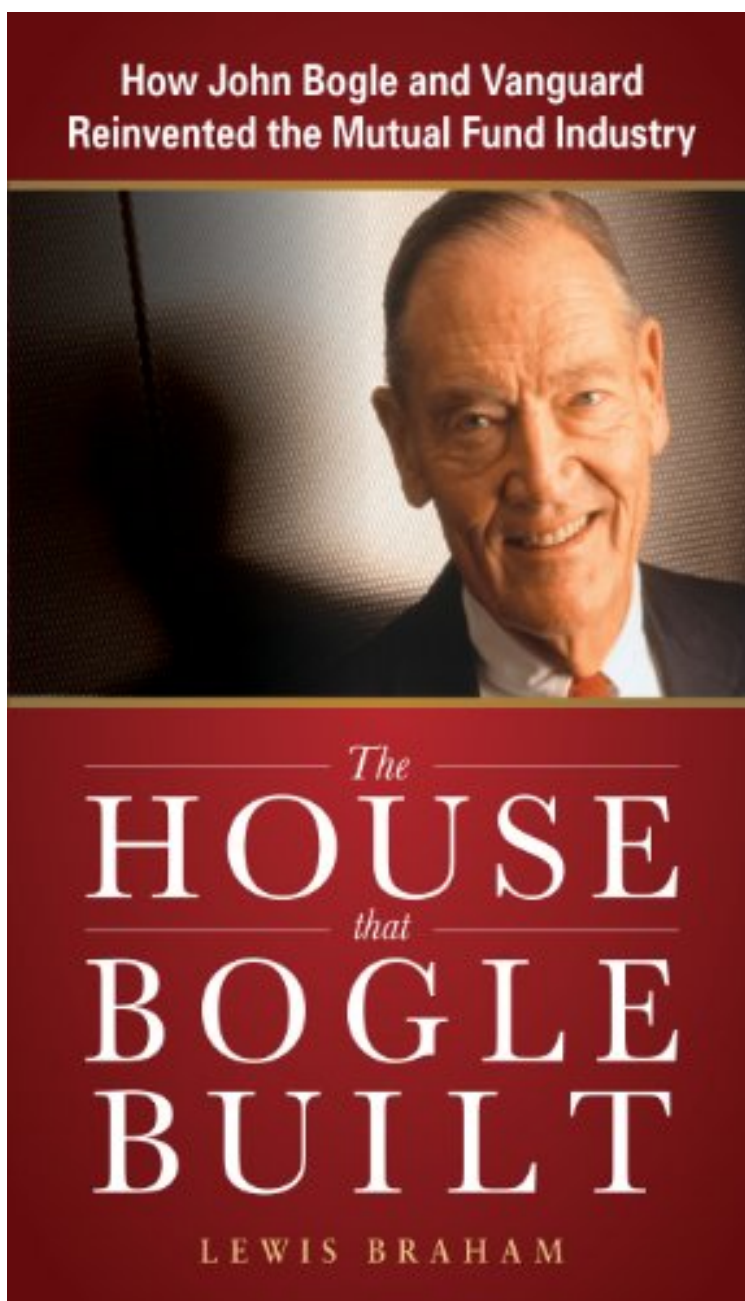


[Free read ebook] The House that Bogle Built: How John Bogle and Vanguard Reinvented the Mutual Fund Industry

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Lewis Braham

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before purchasing it in order to gauge whether or not it would be worth my time, and all praised *The House that Bogle Built: How John Bogle and Vanguard Reinvented the Mutual Fund Industry*:

0 of 0 people found the following review helpful. ... Bogle's approach is a common sense approach to a better way of saving for your future. By Tim Glenn John Bogle's approach is a common sense approach to a better way of saving for your future. Young people should be required to read his stuff. 13 of 13 people found the following review helpful. Well written and researched book. By R. Shaw First, this book provides a thorough and fascinating biography of Jack Bogle, one of the most influential innovators in the American financial services industry. His difficult family circumstances during his childhood are reviewed, as are his increasing health problems over the years which led to a heart transplant in 1995. To battle and accomplish all that he had up to that time is remarkable and that story alone would be worth the price of the book. His activities since 1995 are even more impressive. In addition, the book also describes the creation of the Vanguard Group and its early struggles to establish and promote the concepts and advantages of index investing. While many now understand the rationale for index funds and index investing, these concepts were dismissed by "financial advisors" just a few decades ago. Vanguard has grown dramatically over the past four decades and it has not been without its own internal conflicts. Jack Brennan, the CEO successor to Jack Bogle, declined to participate in the book so this chapter of Vanguard's corporate existence is not as thorough as one might like. Overall, Lewis Braham has written an excellent book and I highly recommend it. The last few chapters also explore the causes of the recent "financial meltdown" and explain some very complex financial issues and concepts in readily understandable terms. 18 of 19 people found the following review helpful. Bogle uses a slide rule! How cool is that? By Daniel P. Smith This book is about Bogle, about Vanguard, and about investing. It succeeds at all levels. "Almost everyone who knows Bogle thinks he works too hard," Braham says. When asked how he handled his work-life balance, Bogle replied "Badly." When a man is so intertwined with his work, you want a biography that intertwines them as well. This biography does. And it reads well. I mean, this is a REALLY GOOD BOOK. As a long-time Vanguard investor I knew it would interest me, but I really wasn't expecting anything this good. I don't see how you could have more satisfying book about Vanguard, or about Bogle. It's not a puff piece. Braham does not even pretend to be objective, you hear the author's voice throughout. Bogle and Vanguard are seen through the eyes of a thoughtful, informed, and definitely opinionated observer. Braham lets us know what he thinks, and he has interesting things to say about Bogle, about Vanguard, and about the "efficient market hypothesis." If I had to pick one passage to convey the flavor of the book, it would be this (p. 187): "Bogle says he believes in market fundamentals, that ultimately the stock market's total returns will equal its dividend payouts plus earnings growth.... Unlike so many others, he actually does believe what he says.... Underlying all his bromides, such as 'Stay the course,' is a basic faith in capitalism's inexorable progress, that in the long run stocks will go up, and that if investors just squirrel away enough in their 401ks week after week, they will be rewarded, provided they don't let the croupiers of Wall Street rip them off. Such a philosophy is immensely comforting to middle-class investors who often see the value of their entire life savings bounce around like a yo-yo during one of the market's tougher weeks." I learned some things about Bogle, the man. He uses a slide rule, which to nerdy seniors like me speaks volumes about his approach to finance--no false accuracy, and keep the big picture in your head. I was curious to know Bogle's religious affiliation--I thought he might be a Quaker, but, no, he is an Episcopalian who attends Presbyterian services (p. 198). A self-described "religious person," he is a regular churchgoer but, Braham says, "takes religion with a grain of salt." He quotes Bogle as saying "No, I don't believe the Bible is the word of God. If it is, how did He learn to write in Hebrew and then Greek?" "Saint Jack," author of "The Battle for the Soul of Capitalism," urges a return to business ethics and integrity. Braham accepts Bogle's sincerity, but wonders about a "lost golden age of idealistic capitalism that never truly existed, or perhaps existed only for a brief time during his youth." He points out that Bogle's formative years occurred when the financial industry had temporarily reformed, "still smarting from all the financial scandals that had occurred in the wake of the Great Depression, scandals that inspired the government to pass the Securities Acts of 1933 and 1934 and the Investment Company Act of 1940." The industry was, perhaps, briefly, behaving itself. I read Bogle's "Common Sense on Mutual Funds" but somehow missed what Braham pointed out: the title alludes to Thomas Paine's inflammatory call for revolution. And I had not appreciated the extent and seriousness of Bogle's campaign to convince mutual fund companies to vote their proxies for better corporate governance. I learned a lot about Vanguard. I hadn't grasped the importance of bond funds in Vanguard's early history. Or understood the competitive importance of Vanguard's accurately named, precisely defined, easy-to-understand funds: "Traditionally, bond fund managers practiced a 'go anywhere' style.... Bogle believed in pursuing a strategy that targeted rigidly defined slivers of the market so that investors knew exactly what they were getting when they purchased each fund. Typical for the period were the Vanguard Short-Term Federal and Vanguard Pennsylvania Long-Term Tax-Exempt funds. The strategy was pleasing to shareholders for its simplicity, but it also gave Vanguard a competitive edge. By sticking to narrow sectors of the bond market, it made it impossible for competitors to make any great claims of beating Vanguard in Short-Term Federal if they were investing in, say, long-term junk bonds. So the strategy forced them to compare their funds on an apples-to-apples basis, and inevitable, after deducting fees, they would lose in the competition.... Specialization

[became] the name of the game... the question is how do we get people to buy more soap when to pay more for it when soap is soap and everyone on earth has a bar? In such commoditized markets, the low-cost provider always wins and Vanguard was it." In 2001, Vanguard was having a legal spat with SP over licensing fees, "So Vanguard developed its own benchmarks with index designer's MSCI's help." So, it seems, many of Vanguard's index funds are indexed to Vanguard's own "house brand" indexes, a curious thing and I'm not sure what to make of it. Is Vanguard losing its way? Is it reverting to the mean? Braham offers insights on how Vanguard operates as a company. He has a trenchant analysis of Vanguard's claims that clients invest "at cost," that it is "client-owned," and that Vanguard does not take a profit. These are not false, but they are partial truths. Vanguard's "mutualized" system of governance is arguably Bogle's biggest achievement. It has succeeded meaningfully at aligning Vanguard's corporate interests with client interests, and creating corporate values that have persisted after the founder's retirement. But it is not perfect, and Braham explains how Vanguard's "Partnership Plan" works and how it creates an incentive to grow assets under management in ways not always precisely aligned with clients' interests. Braham snipes accurately at Vanguard's decisions to offer ETFs in the first place, to eliminate ETF purchase fees, and to offer new narrow sector ETFs resembling the older sector funds Bogle counted among his greatest regrets. Braham offers a delightfully scathing critique of Vanguard's new advertising campaign about "Vanguarding." The book answered a few specific questions I'd wondered about, such as just how big the "Bogle Financial Markets Research Center" actually is (answered on p. 154); and what Bogle really thinks of Vanguard's "Managed Payout" funds (p. 281). Disclosures: I'm a member of the Bogleheads' online investment forum, and author of a chapter of "The Bogleheads' Guide to Retirement Planning," so I do have a built-in interest in Vanguard and in Bogle. And the publisher sent me a complimentary copy. Originally I had planned on donating it to the public library, but I'm keeping it, and I'm going to reread it.

"One of the best financial books of 2011." National Post John Bogle's journey from financial-industry pioneer to one of its toughest critics Arguably the greatest shareholder advocate in the history of Wall Street, John Bogle not only created the first index mutual fund but has become the primary voice for change in an industry plagued by excess and complacency. Bogle stumbled upon mutual funds by accident in 1949 as a college student at Princeton. In his junior year, he read a Fortune article about the burgeoning fund industry that sparked his interest, and he wrote his now famous senior thesis about it. What began as an intellectual pursuit would turn into Bogle's life mission. The House That Bogle Built chronicles the years of Bogle's development from college whiz kid into a titan of the mutual fund industry and shareholder advocate; highlighting his creation of the Vanguard Group and the Vanguard 500 Index Fund and his frequent battles to shake up the status quo. It takes you through the two decades he spent running Vanguard, until his forced retirement in 1999, and discloses what he thinks about the fund industry today. Bogle has always stood out for his extraordinary talents in math, analysis, management, and investing. But his most noteworthy trait is his most basic: his humanism in an industry not exactly famous for placing people over profit. It's Bogle's dedication to clients' interests above all else that has earned him the reputation as the "conscience" of the investing industry. In his ninth decade of life, Bogle is remarkably candid about the role he plays at Vanguard today; and about his opinion of Jack Brennan, his successor. "How do you keep Vanguard a place where judgment has at least a fighting chance to triumph over process?" he asks. Skeptical but never defeatist, Bogle maintains a retired-but-active status at the company, keeping a close watch over those now at the helm of Vanguard. The House That Bogle Built reveals one of the investing world's most fascinating and complex figures. A dogged advocate of shareholder democracy, he was a self-confessed "dictator" at Vanguard. A brilliant mathematician, he is more interested in people than numbers. Fiercely competitive, he bemoans the cut-throat approach that drives his industry of choice. Always, though, Bogle places the good of the client before anything else; a practice that has become steadily rarer in his business. The House That Bogle Built provides an insightful look at the past, present, and future of one of today's largest industries, through the eyes of one of its most influential pioneer.

From the Back Cover "The House That Bogle Built" tells the story of John Bogle, who founded the Vanguard Group in 1975, and his outlook on the future of investing. It highlights Bogle's revolutionary, iconoclastic nature and his goal of keeping costs low and the interests of investors his top priorities--which was in stark contrast to others in the mutual fund business, who were greedy for higher profits and management fees. Bogle quickly developed a reputation as being the "conscience" of the industry and has since been revered for helping reform its practices. Featuring never-before-published research and interviews with Bogle himself, "The House That Bogle Built" covers Bogle's views about Vanguard, his successor Jack Brennan, and the current crisis in the world of investing. Bogle firmly believes that institutional investors, who own 70 percent of the shares of U.S. corporations, have done far too little to ensure that companies avoid financial recklessness. "The House That Bogle Built" provides unprecedented insight into one of the greatest minds of modern financial history. About the Author Lewis Braham is a journalist whose work has appeared in a number of business publications, including BusinessWeek, SmartMoney, and Bloomberg Markets.