Vanguard

Vanguard CEO Salim Ramji Bloomberg TV's *Wall Street Week*

Transcript from May 2, 2025, webcast

David Westin: This is a story about going with the flow. Whatever the pluses and minuses of trying to beat the market, when it's reasonably stable, at a time when it's swinging wildly, risk is out and safety is in. That's the philosophy that gave rise to passive investing a half century ago. Katie Greifeld brings us the story of Vanguard marking the 50th anniversary of its creating the first fund as it's ridden the wave rather than trying to beat it.

Donald Trump (tv clip): I don't want anything, but sometimes you have to take medicine to fix something.

Katie Greifeld: Markets entered a period of extreme volatility at the beginning of last month after President Trump announced expansive tariffs on allies and adversaries alike. In the two days that followed the so-called liberation day on April 2nd, the S&P 500 fell by over 10%. By the end of the following week, that amounted to $10 trillion in losses globally, but there were bright spots, among them, ETFs. The week after the announcement, ETFs saw net inflows of more than $35 billion.

Salim Ramji: We had about four of our five highest trade days in our history in the past six or eight weeks. In every case, clients were buying rather than selling, and in each of those cases, they were going back to these original principles of diversification, staying aligned with your goals, and investing for the long term.

Katie Greifeld: Salim Ramji is the CEO of Vanguard, which has been battle-testing its approach to investing for half a century.

Salim Ramji: So some of it just comes from our clients' behaviors. And as you said, whether we're attracting clients who like what we stand for, in many cases, they're exposed to individual securities and they're seeing the risk and volatility in owning individual names and they're looking for a much more diversified set of exposures.

But the biggest part of clients portfolios are often individual securities, and so there's a lot of money coming in from clients who want more diversification than they might get from owning individual stocks and bonds.

Katie Greifeld: In the 50 years since Jack Bogle founded the company, Vanguard has seen six recessions in the US, including the dot-com bubble, the GFC, and more recently, the COVID-19 recession.

David Booth: Let me give a shout-out to Vanguard. They created indexing for the individual investor.

Katie Greifeld: David Booth has been part of the evolution of indexing since day one. He was around for the early days working with pioneer, Eugene Fama.

David Booth: We were all friendly and worked with each other to the point that the group I worked on at Wells Fargo, which came out with one of the first passive funds, first index funds. Jack had created the framework for providing indexing to individuals.

Katie Greifeld: Bogle was the legendary founder of Vanguard who went against what was then the investing grain.

John C. Bogle: How to decide on the funds is a little bit difficult. I'd say taking the most important part, perhaps the equity fund selection. I think a beginning investor in particular should go for middle-of-road funds, like fairly conservative growth and income funds or growth funds. And even as suggested by your remarks at the outset, maybe a little seasoning of index funds wouldn't be so bad.

Louis Rukeyser: Describe you as an industry states when you said [inaudible 00:03:22]

Katie Greifeld: when Bogle appeared on Wall Street Week with Louis Rukeyser in the early '90s, Vanguard had around $100 billion in assets under management. Today it's grown to more than $10 trillion and through the growth, Bogle's philosophy remains.

Well, you have a really interesting job because you have to tread staying true to the roots that Jack Bogle laid down 50 years ago, but also positioning Vanguard for the future and future-proofing Vanguard.

Salim Ramji: I think first is understanding our history and understanding our culture. And I've also benefited that first, Bogle wrote a lot. Not just in his books, but in all the historical archives and speeches and in the memos and the like.

Katie Greifeld: He was a quote machine. One of Bogle's famous sayings tells the story of passive investing, "Don't look for the needle in the haystack, just buy the haystack." It's a philosophy so popular, it generated an online following of passive investors known as Bogleheads.

Salim Ramji: One of the interesting things is Vanguard's always changed. We've maintained our sense of consistency around our purpose. Whether you can think about our moves into advice or moves into ETFs or if you go back into the '90s, our moves into retirement, these were all changes in the business model.

I look at what I'm here to do is to continue that tradition and that duality between staying true to the purpose and also changing things as we need to change and adapt based on our client needs.

Katie Greifeld: Buying that haystack today looks a little different than it did during Bogle's days, but Vanguard makes no apology for sticking to its tried and true approach to indexing that avoids the trends of the day.

You could start to have to really think about how do you stay true to the roots while also giving clients what they want because those clients specifically in advice and wealth management, I could imagine them requesting private assets, which I know that Vanguard is pursuing, but I could also see them asking for Bitcoin and crypto, which famously, Vanguard isn't too hot on. So I wonder how you're thinking about those potential run-ins.

Salim Ramji: We're not going to be everything to everybody, and that's okay with us. That's been true for the history of the firm. But where we see opportunities to partner with others, including in things like private markets and we think it's good for clients' long-term portfolios, we'll absolutely do it.

Katie Greifeld: So it sounds like that's a no. If a client came to you and said, "I really want to add Bitcoin." Or, "I really like the looks of this leveraged single stock ETF," it sounds like that's not a road that Vanguard is going to go down.

Salim Ramji: Yeah, we're always going to be focused on what we think is a good way to build long-term wealth, and that is suited to the client's individual needs. And so that may mean saying no or saying that we don't think that particular product in that particular offering is right for the client. And we may not get caught up in the latest fad, but we're dependable for the long term.

David Booth: Your comparative advantage is not going home at night and trying to think of the next big winner. Your comparative advantage is going home, figuring out, here's my circumstance, I just decided to retire or I won the lottery, or whatever the changes are. How does that impact the way I want to invest?

That makes a lot of sense. And spend the rest of your time playing with the kids. That's a side benefit of all of this. You can come up with sensible investment solutions that have a great chance of winning over the long haul without getting just emotionally fixated on it.

Katie Greifeld: Vanguard is known for making diversification easier for investors through indexing, but also making it cheap. In February, it announced its 2000th and largest-ever fee reduction, cutting its average asset-weighted expense ratio to just seven basis points. That compares to the industry average of 44 basis points.

Salim Ramji: We're always investing back into technology and into capabilities that enhance our economies of scale. It's true in our investment team, it's true across the firm because there are lots of advances, as you can imagine, that are just making investing easier, making it more efficient, and we need to be at the forefront of that.

Back in February, we announced record fee reductions, but it was the 2000th time we'd done that. So it was a very Vanguard-oriented thing. And when we think about the future, we just see so many opportunities to extend the Vanguard effect, whether it's in fixed income, whether it's in things like cash, whether it's in things like advice.

Katie Greifeld: Its competitors have been forced to keep up with the race to the bottom in the fee war or to find other ways to differentiate themselves.

David Booth: It's one thing to say, "Look, I have slightly higher fees." But it only works if you're… What really counts is what your return is. And we now have 43 years of performance that's showing that this kind of approach can work.

Katie Greifeld: ETFs are meant to diversify risk and make investing safer for retail investors, but indexing might be creating another kind of risk.

David Booth: It's got to the point now with ETFs that they've created this giant investment casino. Here's how you can place your bets. You've got all these indices. You can put some money over here in time. Because the question often comes up is, well, if everybody indexes, won't markets become inefficient? And so now people, instead of picking stocks, they place their bets on indices.

And I think that's unfortunate, because now you're back into the same soup that you were in before, which is in order to beat the market, you've got to pick the right indices at the right time.

Katie Greifeld: The growth in ETFs has brought with it competition for mainstays like Vanguard. Which competitor do you think about the most, and why is it BlackRock?

Salim Ramji: The competitor I think about the most is friction. The biggest impediment, I think, to clients achieving the kind of investment success that we would hope for is that investing is still too complicated. And there are ways that we're always looking for to, how do you make it easier? How do you make it easier to open an account, to fund an account?

Katie Greifeld: 10 years from now when it's Vanguard's 60th anniversary and we're sitting here again, what do you want to have accomplished?

Salim Ramji: Vanguard plays a really unique role in the investment community because of our client ownership, because of our focus on giving people a fair deal. And I certainly don't want that to change in 10 years. I don't want that to change in 20 years or 30 years or well into the future.

END OF WEBCAST

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