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Vanguard reopens PRIMECAP duo

Funds to nab assets from DFA, Cap Group, Fido

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Vanguard has reopened two large cap funds together worth nearly \$90bn, one of which has been closed for two decades.

The \$8.2trn Malvern, Pennsylvania-based firm has reopened the \$76.1bn Vanguard PRIMECAP Fund (VPMCX) and \$13.2bn Vanguard PRIMECAP Core Fund (VPCCX), which have been closed since 2004 and 2009, respectively.

The opening of these funds may take away allocations to other top active large blend funds from American Funds, Fidelity and DFA; however, VPMCX charges 38bps and VPCCX charges 46bps, clocking in much higher than competitors.

Actively-managed large blend mutual funds, by AUM (\$bn)

Fund name	Ticker	AUM	1-Yr flows	Managemer
American Funds Washington Mutual Fund	AWSHX	183,936	-8,079	23
American Funds Investment Company of America Fund	AIVSX	145,109	-2,602	23
American Funds Fundamental Fund	ANCFX	137,672	-10,388	24
Strategic Advisers Fidelity US Total Stock Fund	FCTDX	118,562	21,177	37
Strategic Advisers Large Cap Fund	FALCX	63,324	-1,839	43
Vanguard Dividend Growth Fund	VDIGX	52,101	-5,679	29
DFA US Core Equity 1 Fund	DFEOX	34,619	-2,265	12
DFA US Core Equity 2 Fund	DFQTX	33,422	-3,897	16
Parnassus Core Equity Fund	PRBLX	30,299	-2,173	57
JPMorgan US Equity Fund	JMUEX	29,889	972	40

Source: Morningstar Direct, end of May

Prior to the reopening, existing investors were limited to additional purchases of a maximum of \$25,000 a year.

Morningstar has retained the funds' gold ratings, analyst Robby Greengold noting prudent closures allowed both funds to invest meaningfully in mid- and small-cap stocks.

However, steady redemptions combined with an unwavering long-term investment strategy has provided additional capacity; the team strives to hold portfolio companies for at least three to five years, resulting in portfolio turnover of typically between 5% and 15% annually.

Both funds are actively managed by a suite of five PRIMECAP PMs including vice chair Alfred Mordecai, president Joel Fried, chair Theo Kolokotronis, EVP Moshin Ansari and EVP James Marchetti.

Founded in 1983, subadviser PRIMECAP Management Company of Pasadena, California, is widely recognized for its long-term approach to equity investing.

The PRIMECAP fund, launched in November 1984, focuses primarily on growth stocks while the core fund, launched in December 2004, includes both value and growth characteristics.

VPMCX has seen outflows of \$3.5bn over the past year, but has ranked in the top quartile of Morningstar's large blend category over the past five-, 10- and 15-year marks, clocking into the second quartile over the past one and three years.

VPCCX has seen outflows of just \$591m over the past year, also ranking in the top quartile of Morningstar's large blend category over 10 and 15 years but sinking to the third quartile in the one-, three- and five-year timeframes.