



## **Vanguard ETF cross-listing Interview with Jacques-Etienne Doerr**

### **Vanguard has just listed three ETFs on SIX Swiss Exchange. Which ETFs have you chosen to list and why?**

We currently have five European ETFs that are listed in London. We have decided to cross-list the Vanguard FTSE Emerging Markets ETF, the Vanguard FTSE All World ETF and the Vanguard S&P 500 ETF here at SIX Swiss Exchange in Swiss Francs. All these funds track broad indices and allow Swiss investors to invest in major markets and diversify their portfolios.

### **Why has Vanguard chosen Switzerland for the listing?**

Switzerland was an obvious choice for Vanguard. It's one of Europe's biggest ETF markets, of course, and a country in which we have been building a presence in recent years. But more fundamentally, Swiss investors are very sophisticated and understand the importance of keeping costs under control in investing. We have received a very positive response from investors to our existing low-cost product range, so it was a natural choice to extend our offer. The ETF launch is part of our long-term strategy and confirms our commitment to the Swiss market.

### **You mentioned Vanguard's existing product range. How do ETFs fit into that?**

Vanguard has always said that ETFs and traditional mutual funds are two sides of the same coin. Our ETFs track broadly diversified markets the same way our index funds do. Both offer our clients the same benefits: high quality investment solutions at a very low cost. Our ETFs offer our clients another way to gain access to the same markets as our other funds. The difference between ETFs and mutual funds is in the distribution.

### **What are the advantages of ETFs for investors?**

Unlike mutual funds, whose price is determined only once a day, ETFs are traded throughout the day and the price changes continuously. ETFs often have a lower total expense ratio (TER) than traditional funds but investors also pay a bid/offer spread when buying shares. The spread depends on a number of underlying factors but mostly liquidity. ETFs are good for maintaining a certain exposure during a portfolio rebalancing, for example, because they are a quick way of gaining broad market exposure. On the other hand, if you are a regular saver, the bid/offer spread might make ETFs less attractive. Vanguard doesn't take a view on which form of investing is better. That really depends on the individual circumstances of each investor.

### **What trends do you see in the ETF market?**

We will see more growth in terms of assets and probably more funds and even more exotic strategies. ETFs started as pure index strategies, but now there are a number of active ETFs and the line between active and passive is increasingly fading. Vanguard remains sceptical about the benefit of some of these structures for investors. On the other hand, we will probably see an increase in ETF-specific regulation to protect investors and a consolidation in the market. Not all of today's ETF providers are going to survive.

### **When you say that Vanguard is sceptical about exotic funds, do you think some ETFs can be inappropriate investments?**

Not all ETFs are the same. Investors certainly need to understand the difference between ETF structures and investment strategies offered. That's why we keep our ETFs as simple as possible - they are all physically backed and track major indices.

### **What can Swiss investors expect from Vanguard in the future?**

Switzerland is an important market for Vanguard. We will make sure our fund range evolves to continue to

meet the needs of Swiss investors. We are here to stay and to serve Swiss investors by providing high quality, low cost solutions. ETFs are a large part of that service.

**The author:**

Jacques-Etienne Doerr is Managing Officer for Vanguard Investments Switzerland GmbH. He joined Vanguard in 2008 and is responsible for developing business in Switzerland as well as existing client relationships. He has held similar positions for the last 18 years with a number of Swiss and US investment managers. Jacques-Etienne is a CFA Charterholder and holds a Master of Arts in Economics and Finance from the University of Zurich, Switzerland.

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