Below is a recap of recent Vanguard research and commentary. To arrange an interview, please contact the Vanguard media relations team at 610-669-5002 or Vanguard_Media_Relations@Vanguard.com. We encourage you to follow Vanguard media relations on Twitter (@Vanguard_PR) for news and alerts on white papers and commentaries. All Vanguard announcements, research, and commentary are available on our pressroom, https://pressroom.vanguard.com.

Economy & markets

By this metric, bonds have never been more valuable
Vanguard Chief Global Economist Joe Davis highlights that diversification value of U.S. government bonds outweigh their lower expected returns, citing the historically low stock-bond correlations in the U.S. today. Low stock-bond correlations in the U.S. tend to exist in periods of slow growth and deflationary fears that, Mr. Davis suggests, have prevailed for the past few years and are likely to persist in the years ahead.

Bonds, rising rates, and liquidity
Greg Davis, global head of Vanguard Fixed Income Group, discusses the potential for negative returns and liquidity concerns in the bond markets. He is optimistic and does not foresee negative returns for fixed income in the near term given the gradual pace indicated by the Fed for raising rates. He also does not anticipate liquidity issues arising with future rate hikes given the buy-and-hold approach of the majority of bond holders.

Caution: Speed bumps ahead
Vanguard Chief Global Economist Joe Davis says the risk of a U.S. recession remains low, but expects the U.S. economy will likely face growth scares in the coming months as job growth slows. While slower job growth may disappoint some analyst’s expectations, more moderate job growth indicates the labor market is reaching full employment.

Investing

Choosing between ETFs and mutual funds? 4 questions to help you decide
Jim Rowley, a senior investment strategist in Vanguard Investment Strategy Group, provides investors a framework to evaluate ETFs and mutual funds. Mr. Rowley suggests investors think about the investment strategy, flexibility, accessibility, and costs of the two investment vehicles.

Required or desired returns? That is the question
Vanguard research encourage investors to focus on required returns, as opposed to desired portfolio returns, citing that risk will be justified by the level of returns required for investment success. Matching portfolio risk to investment objectives eliminates unnecessary risk and helps improve the probability investors will meet their goals.

Post–money market reform: Considering trade-offs between short bond funds and institutional prime money market funds
Vanguard research explores the risks associated with investing in a short-term bond fund as a cash management vehicle versus a money market fund. This paper explores the potential trade-offs between approaches highlighting the additional risks associated with transitioning cash to short-term bond funds.

High-yield bonds can serve a purpose, but proceed with caution
Michael Hong, Wellington portfolio manager of Vanguard High-Yield Corporate Bond Fund, explains that investors should consider the similarities and differences between high-yield bonds and other bonds before investing in a high-yield product. While high-yield bonds generate income like investment-grade credits, they are riskier assets and more sensitive to credit conditions than to interest rate changes. Even with the inherent risk, high-yield bonds can play a complementary role to an already diversified portfolio.
Recap of recent research & commentary

**Dunn, not dispersion**
Vanguard Senior Investment Strategist Jim Rowley blogs about Dunn’s Law as an alternative explanation, beyond dispersion, for active manager outperformance. While dispersion simply measures a manager’s relative performance, Dunn’s Law demonstrates a manager’s style purity as it relates to outperformance.

**Mind fund details, not labels**
Fran Kinniry, principal in Vanguard Investment Strategy Group, suggests that, in certain circumstances, selecting active over index funds could be a wise choice. Looking beyond strategy and more closely at costs and managerial talent, low-cost active funds can be a better investment choice than high-cost index funds.

**Wealth management**
**Want a reliable strategy? Embrace change**
Vanguard Head of U.S. Financial Intermediaries Tom Rampulla encourages financial advisors to welcome change as the financial industry evolves with new entrants, new technology, and new regulation. He sees opportunities for advisors to leverage technology to better serve their clients and manage their practices.

**Reframing investor choices: Right mind-set, wrong market**
Recent Vanguard research shows money flows into funds with strong past performance, which suggests many investors rely too heavily on past-performance data to make investing decisions. As an alternative, this research demonstrates that investors should orient their investing decisions based on the development of a goals-based investing plan and implement and maintain the portfolio with broadly diversified, low-cost investment products.

**Retirement**
**Target-date funds: Made to stick**
Vanguard Senior Research Analyst Jean Young illustrates that investors remain invested in target-date funds and managed accounts at a high rate, suggesting these investment solutions are succeeding in improving retirement saving outcomes.

**Constructing a defined contribution investment lineup: Four best practices**
Vanguard research suggests that, in light of the increased prevalence of target-date funds and automatic plan design features, defined contribution plan design should shift towards framing investment choices for those participants looking beyond a target-date series. Fiduciaries should focus on four best practices for constructing their plan lineups, including a tiered lineup that reflects plan objectives and ongoing oversight of the plan.

**How America Saves 2016**
Vanguard’s 15th annual comprehensive defined contribution report finds that plan sponsors are increasingly turning to plan design to influence employee retirement savings behavior. The report shows that automatic features and target date funds have improved participation rates and portfolio construction, with the potential to reshape the retirement savings outcomes of participants.

**Regulatory**
**DOL fiduciary rule less burdensome than feared, but challenges could remain**
John Schadl, head of ERISA & Fiduciary Services in Vanguard’s Legal Department, believes the final DOL fiduciary rule is a step in the right direction by defining advice in a way that better reflects expectations of investors, advisors, and service providers. While the final rule appears to less burdensome than anticipated, Mr. Schadl cautions that implementation of the new standard may not be easy as the industry readies for an effective date of January 2018.