



ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments



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Vanguard Reopens Long-Shuttered Fund

Investors who have awaited a chance to invest in one of the PRIMECAP Management team's Vanguard funds now have their first opportunity to do so since 2009 (when PRIMECAP Core closed). The firm announced at the beginning of April that its Capital Opportunity fund is now open to all investors who can meet the \$3,000 minimum. We should note, however, that Capital Opportunity is not quite the same fund it was when it debuted; the managers originally focused on small- and mid-cap stocks—over time, as assets grew and the team's stock picks turned into larger, more successful companies, out of necessity the fund shifted away from its roots, and now has more of a large-cap character with some mid-cap exposure thrown in.

This is not the first time Vanguard has closed and reopened Capital Opportunity; after strong performance and increasing cash inflows the minimum was raised from \$3,000 to \$25,000 in September 1999—six months later, Vanguard closed the doors completely. A little over a year down the road in April 2001, it reopened with the \$25,000 minimum intact. Assets continued to grow and the fund was closed once more in March 2004—in the years since, we've wondered if it would ever be available to new investors again.

Vanguard says that assets levels and cash flows have returned to a manageable enough level to justify the reopening; for the 12 months through March, over \$900 million has been taken out of the fund (a combination of shares sold and market action), and since Capital Opportunity closed in 2004, \$4.6 billion combined has flowed out of the Investor and Admiral shares. The two share classes now add up to \$8.5 billion in assets, down from a peak of \$10.5 billion in October 2007, but up from the \$7.4 billion under management the last time it closed in 2004. (The reason for what seems like a discrepancy in the flows when compared to the asset levels has to do with the fund's performance month to month—for Capital Opportunity, gains have replenished outflows to a certain extent.)

Based on past experience, there's no telling how long the fund will remain open this time around. Interested investors may want to get their feet across the threshold while the minimum is low and the doors are ajar.

- Vanguard Reopens Long-Shuttered Fund

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