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### Fidelity Keeps Pressure on in Fee Wars

On July 1, Fidelity launched the latest volley in its ongoing fee wars with Vanguard, cutting costs on share classes of 27 of its index funds and sector ETFs. Sixteen mutual funds and 11 ETFs will be discounted in the second part of a two-pronged incursion on Vanguard's turf.

In a number of cases, the cuts represent a sizable cost reduction, and make Fidelity's index fund and sector ETF lineup the cheapest in the game, a clear challenge to its rival fund giant from Pennsylvania.

At the start of the summer, Fidelity [announced](#) that it would be making these 16 index mutual funds available to all investors, not just those with accounts there. Formerly known as Spartan funds, these index options first had their names changed, and now have seen their fees go down.

Fidelity has long prided itself—with good reason—as a leader in the actively managed space, but has also expanded its index and ETF presence to respond to increased competition, most notably in its decade-long attempt to horn in on Vanguard's passive investment business, which [we've covered extensively](#).

We think the move is a win for investors and Fidelity. In the index fund and ETF arenas, where fees are often the only factor differentiating one firm's funds from another's—Fidelity's lower costs are a boon for individual investors. The move also may give retirement plan sponsors, operating under the U.S. Department of Labor's new [fiduciary rule](#), a strong incentive to pick Fidelity's index funds over similar choices from other fund families charging higher fees.

### Fidelity's Fee Cuts

Fund	Share Class	Ticker Symbol	Former Expense Ratio	Current Expense Ratio
500 Index	Investor	FUSEX	0.095%	0.090%
Total Market Index	Investor	FSTMX	0.100%	0.090%
Extended Market Index	Inst. Prem.	FSMAX	0.060%	0.045%
Large Cap Growth Index	Investor	FSUIX	0.220%	0.210%
Large Cap Value Index	Investor	FLCDX	0.220%	0.210%
Mid Cap Index	Investor	FSCLX	0.220%	0.190%
Small Cap Index	Investor	FSSPX	0.230%	0.190%
International Index	Investor	FSIIX	0.200%	0.190%
Global ex U.S. Index	Investor	FSGUX	0.190%	0.180%
Total International Index	Investor	FTIGX	0.190%	0.180%
Emerging Markets	Investor	FPEMX	0.310%	0.300%

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Index				
U.S. Bond Index	Investor	FBIDX	0.200%	0.150%
Short-Term Treasury Bond Index	Investor	FSBIX	0.200%	0.190%
Intermed.-Treasury Bond Index	Investor	FIBIX	0.200%	0.190%
Long-Term Treasury Bond Index	Investor	FLBIX	0.200%	0.190%
Inflation-Protected Bond Index	Investor	FSIQX	0.200%	0.190%
MSCI Consumer Disc. Index	ETF	FDIS	0.120%	0.084%
MSCI Consumer Staples Index	ETF	FSTA	0.120%	0.084%
MSCI Energy Index	ETF	FENY	0.120%	0.084%
MSCI Financials Index	ETF	FNCL	0.120%	0.084%
MSCI Health Care Index	ETF	FHLC	0.120%	0.084%
MSCI Industrials Index	ETF	FIDU	0.120%	0.084%
MSCI Info. Technology Index	ETF	FTEC	0.120%	0.084%
MSCI Materials Index	ETF	FMAT	0.120%	0.084%
MSCI Telecom. Svcs. Index	ETF	FCOM	0.120%	0.084%
MSCI Utilities Index	ETF	FUTY	0.120%	0.084%
MSCI Real Estate Index	ETF	FREL	0.120%	0.084%

Note: Most premium (\$10,000 minimum) and institutional shares of these index funds also saw fee reductions. Source: Fidelity.

### Vanguard Launches “Select Index Funds”

At the end of June, Vanguard launched five ultra-low-expense, ultra-high-minimum versions of its index funds in a new “Institutional Select” share class.

With minimums ranging from \$3–\$5 billion (that’s right, billion, with a “b”) these shares are far out of reach of all but the largest institutional investors. We would not be surprised to see those numbers quickly grow, since it will only take a handful of shareholders investing at the minimum to significantly move the needle, but as of June 30, they had only accrued about \$7.3 billion.

### Vanguard’s Institutional Select Fund Lineup

Fund	Ticker Symbol	Expense Ratio	Minimum Investment (billions)
500 Index	VFFSX	0.010%	\$5.0
Extended Market Index	VSEMX	0.020%	\$3.0
Total Bond Index	VTBSX	0.010%	\$3.0
Total International Stock Index	VTISX	0.045%	\$3.0
Total Stock Market			

Index	VSTSX	0.010%	\$5.0
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Note: Assets as of 7/11/16. Source: Vanguard.

We wouldn't consider this to be an entrant into the fee wars with Fidelity given the massive minimum investments required, but investors at large companies may see them show up in their 401(k) or pension funds. Now we will have to wait to see if funds with fees this low will ever be accessible to the individual investor. Based on some of Fidelity's cuts, highlighted above, it may be a matter of "when," not "if."

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