

# September 18, 2025: Market Call - Jeffrey DeMaso

**Chuck Jaffe:** Jeffrey DeMaso, editor of the Independent Vanguard Adviser, is here, and we're talking Vanguard funds now in the market call.

Welcome to the Money Life market call. The part of the show where we talk with experienced money managers about how they do their job, what they look for that determines who buys and sells what they see happening broadly on the market and how they put it all together. My guest today is one of your absolute favorites. I know, because every time I say he's coming on, you guys send me a ton of requests.

He's also one of the very few guests who doesn't give me back a list and say, hey, from all those funds and tickers, you know, tell me, here's the five that I want to talk about. Instead. Let me get down to brass tacks. It'll kind of be mix and match from all of your requests, and we've got tons and tons of them.

So he's not prepared like he does not know if I'm going to ask about fund or fund B, and he is fully prepared to talk about all Vanguard funds because that is gig. If you want to learn more about what he does. The website is [independentvanguardadviser.com](http://independentvanguardadviser.com). They also have a Facebook page and a LinkedIn page. And because of the way he's doing the newsletter business, which is not everything else, you want to find him either online or in those places, because he's not all over social media, but we're glad he's here.

Jeff DeMaso, it's great to have you back on money life

**Jeff DeMaso:** Hi Chuck. Thanks for having me back.

**CJ:** We always start with methodology. Yours has always been by the manager, not the fund. But how do you determine if you're buying? The manager is important. So let's start with that.

**JD:** Yeah. It's really fundamental to understand what you mean by the manager not the fund. You could almost think of as "you know what you own."

Let me give you a good example of that. So Vanguard Mid-Cap Growth—the ticker is VMGRX—is a fund that we have not been. I've not been a particularly big fan of

it for ten, 15, 20 years—in part because Vanguard has used a multi manager approach.

So this is where they have multiple sub advisors on the fund—more than one cook in the kitchen if you want to call it that way. And they've been searching for the right mix—have been chopping and changing managers. And they just announced last week that they were going to be firing the two managers, Frontier Capital and Wellington Management, and handing the entire fund over to one manager, Tremblant Capital.

So starting in November, we're going to have a new manager picking, call it, 25 to 35 stocks or so. And that basically means you can throw out the fund's track record. Yes, it's still mid-cap growth stocks, but it's a totally different manager calling the shots. So this is where we talk about you can't just say, oh, it's a mid-cap growth fund with Vanguard on the label so I'm just going to buy it. Well, you don't know who the manager is.

And I would even really extend that to index funds as well. Just to give an example, you know, if you compare emerging market funds across the industry, whether you're comparing, you know, iShares Emerging Markets Index to Vanguard's emerging market index, well, iShares includes South Korea in the emerging markets and Vanguard doesn't—or more specifically, the index providers that they've partnered with for those funds choose to include or not include South Korea.

So you get slightly different portfolios. So even if we're talking, you know, I'm an index investor. You know, you still need to kind of pop the hood and understand what you own and why you own it. And that applies when we're talking about actively managed funds.

**CJ:** With that being the case, you're also building portfolios. Is there any place where you go you know what Vanguard either doesn't have a manager who I like enough or it hasn't brought in a sub advisor, or it's got a process where you've got multiple managers and what have you.

Is there any spot where you look and go, yeah, here's Vanguard's blind spot for me. I cannot, you know, complete my portfolio with only Vanguard because, you know,

in my world, I couldn't buy this fund or this space. They have something that they do badly.

**JD:** So for the portfolios I build—that we use in the newsletter for subscribers to act as a guide—they rely on just Vanguard funds.

I will recommend an outside fund if a Vanguard fund is closed. A great example is the funds run by the PRIMECAP management team. While they've recently reopened one of them, for years, all those funds with the Vanguard label were closed. PRIMECAP run, some private label, the PRIMECAP Odyssey funds. And so I pointed to those as a place that's open and available for investors who want to partner with those managers, even though it doesn't have the Vanguard label.

Well, clearly Vanguard has a big lineup. They've got, you know, some 200 funds—but they don't do everything right. Particularly—they got a lot of press this year—they don't do Bitcoin. So if you want bitcoin—and we could talk about that if you want to. I don't necessarily think people need to—I see it more as a speculation. But if you want it in your portfolio, you're going to have to go outside of Vanguard to do it.

You know, another place at Vanguard doesn't do particularly well is the microcap space. So like the smallest of the small stocks—you just can't do that at Vanguard scale of ten, \$11 trillion. So, you know, that's a space that they don't do.

Whether you need that and how much you need in your portfolio—it isn't going to move the needle for a lot of people. But, if that's something you're interested in, that would be something you to look outside of Vanguard's fund lineup for as well.

But again, with over 200 funds—and not all of them are winners, not by a long shot, and I would happily call out the funds I think could be improved upon. But there is plenty of arrows in the quiver for you to build a diversified portfolio that can navigate different market environments and help you achieve your long term goals just by staying within Vanguard's four walls.

**CJ:** As for the funds themselves, how much do you want to keep everything as clean as possible? You know, overlap or very limited overlap? Because if you're buying the manager and you have overlap, you just create a closet index fund. If

you have a lot of people sort of trading with each other, how much of it is it's okay to have multiples in the same asset class with Vanguard?

**JD:** This comes back to trying to build a portfolio that's diversified.

So, some overlap is good—you might say it's desirable to an extent. If you're picking two active managers and they're approaching the market from different standpoints, and they happen to both on the same stock, maybe for different reasons. That might be okay to have a little bit of overlap there. There's two managers kind of giving it an endorsement and thumbs up and putting money behind it.

The thing to watch out for is someone might give me that portfolio and say, "oh, I own four funds, so I'm diversified." Well, but they are all large cap growth funds loaded up with tech stocks. You're not too diversified in that regard.

So it really comes back to understanding the managers or the strategies in your portfolio and saying, are they approaching the market from a different mindset?

Are they growth managers versus value managers? Or maybe they like dividend growth stocks. So they're just going to be picking portfolios that have different characteristics and behave differently in different market environments. So some might provide more downside protection. Some might provide more offense in your portfolio.

Look it's a risk that I see more often now in people's portfolios. A lot of people have really kind of gone all in on, US stocks—particularly the Magnificent Seven, the Big Tech winners. And they might say, hey, I've got a lot in S&P 500. And try to diversify with this large growth stock. Well it really just kind of doubled up your bet actually. It's not delivering the diversification you think it is.

So, I don't think most people need to get overly into the weeds on diversification. Don't necessarily need to say, okay, this fund had X percent overlap with that fund. It's more just kind of stepping back and saying, are these managers doing something different? Are they thinking differently about the market and how to pick stocks?

And if they are, chances are your portfolio is going to be pretty diversified.

**CJ:** As I said in your case, we don't really need to give you the whole list. You're happy to talk all things Vanguard. So before we get there, I normally ask folks, you know, do you have a favorite? But you've made it clear it's always going to be Vanguard until you're looking for something that they can't do or that they don't do well, etc. or you have that sister kind of relationship.

So I don't know that we need to say what's a poster child, etc. but I do think we need to say what does make you sell? In other words, once you've found a company, is it simply that the manager goes away? Or is it ever that the manager loses their mojo?

**JD:** Well, manager departures are definitely easier to identify than a manager losing their mojo, because the challenge with active managers is they're not going to outperform every time and over every time period in each market cycle.

So trying to identify when a manager is out of favor—is that a temporary moment or a permanent they've lost their mojo—I think that's maybe the hardest thing about partnering with active managers—staying disciplined and trying to make that call. And it's not an easy one to make.

You know, I've done both. I've stuck with managers who've been out of out of favor. And then they when they've come back in favor. Then there's other managers where we've said, hey, you know, I think they've maybe lost a bit of their mojo.

An example, is the Vanguard Health Care Actively Managed Fund. We owned that for a long time. Ed Owens was the long-time manager—kind of a legend that no one's really ever heard of in the space with a really magnificent track record. His successor, Jean Hynes—also a very talented manager. But part of what led us to move on from that fund wasn't so much the manager change, but it was that, Jean then also became high up in Wellington's leadership and ultimately the CEO of the company.

We just kind of felt, okay, she's got a lot on her plate—you know, can you manage a 20, 30, \$40 billion fund and run \$1 trillion investment firm? That just seemed like a lot on her plate. So that was one where we were able to say, okay, something's changed here. We're going to move on from that fund.

But the difficult challenge of working with active managers is trying to identify whether this is a temporary out of favor or is this something more systemic to the fund and the manager?

**CJ:** Well, now we're going to get your quick and dirty take on some Vanguard funds and ETFs that my audience is particularly interested in.

Quick and dirty work. I've got a good feeling about this. Well, the only thing I would not feel good about is if you've got so many Vanguard requests that we won't get through that many of them, but you can always get more information on the funds we're talking about and the ones we're not talking about. By finding Jeffrey Demaso at the Independent Vanguard Advisor, the website [IndependentVanguardAdvisor.com](http://IndependentVanguardAdvisor.com), that's where you will go to get more information.

You know how quick and dirty works. So we are going to jump in. We're going to start with big and broad and then we'll move to more specific things. So Bill in New Orleans gets our first request. It's Vanguard U.S. growth VW U.S. acts.

**JD:** Can I give you hold—an in-between?

You know I think that's a really well-run fund. My concern with it more is just about, you know, the growth space and how much it's run ahead. So, I think that's a fund that's more about managing expectations. You know—it's up, call it, 25% a year over the past three years. If that's what you're building your expectations on, I think you're going to be disappointed.

But that doesn't mean that it's not a solid fund.

**CJ:** So good fund, not great market conditions means no money changes hands today. That's a hold on VW. U.S. x Vanguard U.S. growth. We'll go international and we'll want to request together from David in Missoula, Montana. He wants to know about Vanguard International Growth, VW, IG and Vanguard International Explorer, which is vine X.

**JD:** Yeah let's start with International Growth. I guess I might contradict myself here from that last one—but that's a buy for me. The managers there, Baillie Gifford, are some really patient long-term growth managers. And growth stocks

overseas haven't had the same run-up. So I quite like that fund. It's one I own personally.

International Explorer ... small caps overseas—active management should, in theory, work. If you believe there's more inefficiencies there. But I actually prefer their index fund—the world Ex-u.s. small cap index. If you're looking for foreign small cap stocks pick that in Vanguard stable.

**CJ:** So when it comes to Vanguard International growth VWIGX, I'd buy it outright. But when it comes to the Vanguard International Explorer, buyer beware dude.

Yeah, because he prefers the index in the same space.

Let's go from that to the Vanguard explorer. Mike in Redwood City, California wants to know about Explorer.

**JD:** Yeah, I kind of same as the last one. I think this one it's a multi manager fund, lots of managers. And I think you're just going to get an index like return of paying active fees.

So I'd much rather just go with one of Vanguard's low-cost small-cap stock index funds.

**CJ:** Nothing for you. Yeah. No soup on this one. Vanguard Explorer. Better off just sticking with the lower cost ETFs and speaking of ETFs let's move to ETFs now Tony and Henderson Nevada wants to know about VEU. That's the Vanguard Footsie all world ex U.S fund.

**JD:** So, I actually give that one to sell. You know it's a fine fund—very diversified, low cost. I just think that you can get similar exposure with Vanguard total international stock ETF. It's a little broader—It includes small caps where VEU the does not. So if I'm going to index, I'd rather just buy the whole haystack rather than part of it.

**CJ:** When it comes to VEU, you know, maybe it's time to sell this. Yeah, but it's not just time to sell it. You'd be looking instead at buying VXUS. that right. Our next request comes from Harvey Air in Wilmington, North Carolina. It's for the Ivy oh oh. The Vanguard S&P Midcap 400 fund. I think that's a solid fund.

**JD:** I would consider that a buy. I would also give the mid-cap ETF a good hard look as well. But mid-cap stocks are often overlooked—particularly in this market

where it's all about the biggest of the big stocks out there. So I think that's a nice pick.

**CJ:** So Ivy oh oh and V oh could we please buy now those are buys Mark in Mitchell South Dakota.

And I know this request has been going on for a long time because Mark I haven't heard from you for a long time. It's Vanguard Industrials VIX.\

**JD:** Chuck you know I don't have a great opinion on sectors in the short run—Industrials for me is kind of a hold. Industrials tend to, over time, kind of match the broad market with somewhat similar risks.

So it's not like some of the other sector funds which tend to be really up or down. Industrials tends to just kind of match the economy, match the market. So I'm okay with it, but it doesn't particularly excite me.

**CJ:** Yeah, that was boring. Not excited about VIX. Vanguard industrials you at least could hold it. But again all the warnings that Jeff just mentioned in there. And we're going to finish with two requests from Richard in Chula Vista California moving into fixed income. The first is for the Vanguard Intermediate Term Bond Fund BIV. The second he shares with Dan in Williston, Vermont. It's for Vanguard short term corporate bonds VCSH.

**JD:** Bonds are back. We are finally earning a decent return above inflation, which hasn't been the case for much of the 2010s. So yeah, BPIV, the intermediate term bond index—great low cost, broad exposure. Short-term corporate ... You know, I think corporates might be a little bit expensive here. But still, a solid, solid pick yielding over 4%. Nothing to shake a stick at.

**CJ:** We finish on a higher note with the Vanguard intermediate term bond fund B5. Then with the short term corporate bond because of the price of the assets. But both well either gets on board or he gets left behind. You get on board or you get left behind. And unfortunately, we can't stay on board any longer with Jeffrey DeMasos.

But Jeff, it's always great to chat with you. Thanks so much for taking the time. We'll talk to you again down the line.

**JD:** Thanks, Chuck. Always a pleasure.



**CJ:** Jeffrey DeMaso is the editor at the Independent Vanguard Adviser—Independent Vanguard Adviser, spelled with an E at the end. Head to [independentvanguardadviser.com](http://independentvanguardadviser.com) for more information.

We'll be back. We'll put a bow on this show right after this message.