

COMPANY PROFILE ON VANGUARD

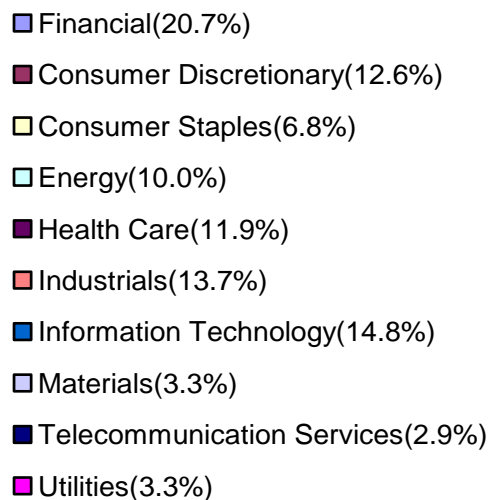
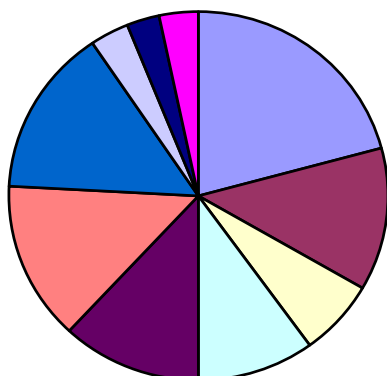
Snap Shot:

Company Type	Private
Fiscal Year-End	December
2005 Sales (mil.)	\$2,600.0 (est.)
1-Year Sales Growth	13.0% (est.)
2005 Employees	11,500
1-Year Employee Growth	4.5%
Total assets	Approximately \$950 billion in U.S. mutual funds (as of December 31, 2005)
Number of funds	<ul style="list-style-type: none">• 130 domestic funds (including variable annuity portfolios)• 40 additional funds in international markets
Number of investors	21.5 million institutional and individual shareholder accounts
Average expense ratio	0.21% (expenses as a percentage of 2005 average net assets)
Market Cap	\$201,159,000
Net Assets	\$191,200,000
Dividend Rate %	2.69
Average Daily Volume	19900

Business Description:

The Vanguard Group (Vanguard) provides individuals, organizations, and financial professionals with investment products and services. The company is organized around two primary business lines; the direct investor services division and the institutional investors group. The direct investor services division provides individual investors with mutual funds, brokerage services, annuities, financial planning, asset management, and trust services. Special areas within the division include services for high-net-worth investors and retirement vehicles for individuals. The institutional investor group provides investment management and related services for employer-sponsored retirement plans as well as investment-only services for organizations of all sizes and kinds. Clients include corporations, unions, government agencies, banks, and insurance companies. Trust services and services to investment advisers are also provided through the institutional investor group. The company's Vanguard International subsidiary serves individual and institutional investors outside the US. The company has offices in Melbourne, Australia; Tokyo, Japan; London, UK; and Brussels, Belgium. Vanguard's other subsidiaries include Vanguard Brokerage Services and Vanguard Marketing.

Top Sector Holdings



Key Competitors:

AMVESCAP Plc

AMVESCAP is aiming for the topmost position on the investment heap. One of the world's largest mutual fund companies, the firm markets its products to individuals, corporations, and government institutions under the AIM, INVESCO, and Atlantic Trust brands. The company also offers retirement account services and college investment plans. AMVESCAP has approximately \$440 billion of assets under management in about 2,000 institutional accounts and some 900 retail funds. The company spreads its operations wide, with 40 offices in nearly 20 countries in North America, Europe, the Pacific Rim, and Australia.

BlackRock, Inc.

BlackRock is bullish on Merrill Lynch. The company, which has merged with Merrill Lynch Investment Managers (MLIM), has some \$1 trillion in assets under management, making it one of the world's largest money managers. BlackRock specializes in fixed-income products and money market instruments for mostly institutional clients worldwide. Its operations complement MLIM's expertise in mutual funds and equity products. BlackRock also manages hedge funds and oversees the daily operations of publicly traded real estate investment trust Anthracite Capital. Merrill Lynch owns just under half of the company, which continues to be led by BlackRock founder and CEO Laurence Fink. Superregional bank PNC owns 34%.

FMR Corp.

FMR is "semper fidelis" (ever faithful) to its core business. The financial services conglomerate, better known as Fidelity Investments, is one of the world's largest mutual fund firms. Serving more than 22 million individual and institutional clients, Fidelity manages nearly 400 funds and has more than \$1.2 trillion of assets under management. It also operates a leading online discount brokerage and has investor centers in about 100 cities throughout the US and Canada, as well in Europe and Asia. The founding Johnson family controls most of FMR; Abigail Johnson, CEO Ned's daughter and likely heir apparent, is the largest single shareholder with about 25%.

Rowe Prince Group

Rowe Price Group is a Baltimore-based financial services holding company. T.Rowe Price Group operates through its subsidiaries that offer investment advisory services for individuals and institutional investors mainly in the United States. The company operates its investment advisory business through its principal subsidiaries T. Rowe Price associates and T. Rowe Price International. Revenues from advisory services depend on the total value and composition of

assets under management. The company manages both domestic and international stock, bond, and money market mutual funds and other investment portfolios for individual and institutional investors. Additional fees are earned from advisory related administrative services. The services include mutual fund transfer agent, accounting and shareholder services; record keeping and transfer agent services for defined contribution retirement plans; discount brokerage; and trust services. The company specializes in providing no-load mutual funds for individual investors and corporate retirement programs. Additionally, a separately managed investment portfolio is offered exclusively for institutions. The company's international investment arm; T Rowe Price International (formerly Rowe Price-Fleming International), currently manages no-load international funds. The firm is active in Japan through its interests in two companies, Daiwa SB Investments, Ltd. And T. Rowe Price Global Asset Management. These companies provide Japanese retail and institutional investors with global asset management expertise.

Putnam Investments, Inc.

Putnam Investments is the investment management arm of the Marsh & McLennan group of companies. Putnam offers its funds through an international network consisting of independent brokers, financial planners, dealers, banks, and other institutional accounts. It also has agreements in the US with Allstate and Hartford Financial Services to sell variable annuities. In addition to its international offices in the UK and Japan, the company is represented through the broker network in Asia, Europe, Latin America, and Australia. Putnam has \$199 billion in assets under management, 264 institutional clients, and over 10 million shareholders and retirement plan participants. It offers mutual funds, retirement plans, college savings plans, insurance products, institutional portfolios, alternative investments, and separately managed accounts for individuals and businesses. The company also operates a system of dedicated team-based investment management under the division title of Putnam Institutional Management, which is aimed at its institutional customers. This area of the business is constructed around global investment opportunities, and is in turn serviced by Putnam Global Investment Research, which draws on expertise across asset classes and global markets.

Fidelity Investment

Fidelity Investments is the largest mutual fund company in the world. The core operating division of FMR is Fidelity Mutual Funds, which offers more than 300 different funds to over 18 million customers. Fidelity Management & Research Company (FMRC) manages the key financial products in the company. FMRC employs the largest staff of portfolio managers, analysts and traders in the industry, more than 500, and acts as the investment advisor to a family of mutual funds. FMR has three fund divisions: equity, high-income and fixed-income. Headquartered in Boston, FMR investment research professionals also are based elsewhere in the US, UK, Southeast Asia and Japan. Fidelity brokerage services offer a full range of products directly to the end-consumer through a variety of distribution channels, such as the Internet, telephone and Fidelity branches. Through the service, an investor is able to buy and sell stocks, bonds, options and more than 4400 mutual funds from Fidelity and other well-known fund companies. The segment also provides access exclusive Lehman Brothers research, personalized news and information, allows access to IPOs, margin borrowing, unlimited check-writing and other features. The group retirement plans division provides employers retirement services to companies of various sizes. Fidelity is one of the US' top providers of 401(k) plans and services. It also provides 403(b), 457 and 401(a) retirement savings plans for colleges, universities, health care institutions, states, state agencies and local governments. In addition, FMR owns Fidelity Capital, which oversees the real estate holdings of Fidelity, and Fidelity Life Insurance Company. The company is expanding its wealth management offering to increase attractiveness to clients with over \$500,000 in assets. FMR has major holdings in telecommunications (COLT Telecom Group) and transportation (Boston Coach). It has offices in about 70 US cities, as well as in Australia, Bermuda, Canada, France, Germany, Hong Kong, India, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, Taiwan, and the UK.

Competitors

<u>Top Competitors</u>	AMVESCAP	BlackRock	FMR
Annual Sales	2,173.2	1,191.4	9,200.0
Employees	5,586	2,151	29,424
Market Cap (\$ mil.)	0.0	2,919.8	--

Strategies and Policy

Vanguard's Investment:

Vanguard manages more than US \$1.08 Trillion worldwide and serves more than 5,700 institutional investors around the world. Their index-tracking portfolios are managed by an in-house team of 113 professionals who have developed and refined a process that results in low long-term tracking error within strictly defined risk guidelines. Vanguard's active management offering combines the expertise of 29 of the world's leading institutional investment advisors with their exhaustive, independent oversight.

Vanguard Investment have presence in Australia, Europe (Founded in 1998), Asia (Japan, Asia), USA, The Americas and the Caribbean

Key Financials for Vanguard:

Fiscal Year-End	December
2005 Sales (mil.)	\$2,600.0 (est.)
1-Year Sales Growth	13.0% (est.)
2005 Employees	11,500
1-Year Employee Growth	4.5%
% Years Revenue Growth	8.73%
5 Year No. of Employee Growth	.88%
Net Cash Flow	\$ 7 Billion USD

SWOT Analysis:

Strengths

- Mutual fund industry growth leader
- Growing at 30% per year
- Lowest average expense ratio
- 74% of funds earned above average returns (2001)
- Added 800k shareholders accounts (2001)
- Spent \$.20 of every \$10,000 invested to drum up new business
- Very low employee turnover
- Effectively utilize dashboards to interrogate and integrate real time metrics

into staff meetings

- Ability to retain customers and obtain additional investments

Weaknesses

- \$50 billion in assets leave Vanguard every year
- Net cash flow decreased from 46 to 40 billion from 2001 to 2002
- Redemption rates rose 2% (2000)
- Marketing research measures were qualitative and not quantitative
- Most brokerage firms do not recommend Vanguard funds to their clients to do lack of sales commissions

Opportunities

- Appeal to clients by emphasizing “speed, low expense ratio”
- Pick up 1/3 of any increase in mutual fund assets
- Over 40% of customer transactions were conducted on the internet, increasing cost Efficiency (2001)
- Top name in mass-marketed industry despite extremely low advertising spending
- Commissioned major client segmentation study to market more effectively to existing Customers (2003)
- Increase amount of data collected on customers to market more effectively to existing and new customers
- Increase brand awareness
- International expansion

Threat

- Must attract new business every year to compensate \$50 billion loss
- Business must continue to change/adapt to the evolving socio-economic cycle to remain competitive.
- Short term investors looking for a quick return
- Cross-over, and Roll-over clients withdrawing large sums of money and re-Investing with other financial institutes
- Poor Index/Stock market performance
- Aggressive competition
- International expansion into low populated countries
- Institutional and regulatory barriers