

Vanguard Changes Benchmark Indexes for 22 Funds



Vanguard announced this week that it is changing the benchmark indexes used for 22 of its funds. A full listing of the affected funds can be found on Vanguard's website. Even if you don't own Vanguard funds, the change is worth noting.

Fund companies pay an index provider for the rights to use their index. The composition of an index is actually owned by the parent company of that index. This means you cannot simply create a portfolio that mimics the performance of the S&P 500 index and offer it to clients without paying a licensing fee. Creating and maintaining an index requires work, and index companies want to be compensated for their efforts.

Vanguard is citing the costs of these licensing fees as the reason for the change. The company is switching from MSCI indexes to established FTSE benchmarks and newly created CRSP benchmarks. For those of you unfamiliar with the initials "CRSP," it stands for the University of Chicago's Center for Research in Security Prices. CRSP data is often used in academic studies about market performance and asset price returns.

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