

PREPARATION AND COLLABORATION: THE SUCCESS STORY OF THE LARGEST-EVER MUTUAL FUND PROXY CAMPAIGN

“When evaluating proxy vendors, make sure you understand the services you need versus what would potentially be provided to you. There might be a gap or they might not have capacity. Selecting a vendor only based on price, when they can’t actually service the size and complexity of your particular initiative would not be advisable.”

– Laura Merianos, Principal, proxy sponsor, Vanguard

BACKGROUND

In the summer of 2016, Vanguard commenced an RFP process to search for a partner to provide print, mail, tabulation and solicitation services for a massive proxy effort involving over 20 million shareholders holding 69 million unique fund positions. The ballot would include the election of a board of trustees for all U.S. funds, approval of several management proposals regarding investment policy changes and a shareholder proposal which would have placed investment limitations on several funds.

As the largest provider of mutual funds, Vanguard required a proxy solicitation partner that had:

- › Flexibility to meet its unique needs
- › Scale of operations to accommodate their complex data processing requirements
- › Capacity to warehouse, prepare and mail a significant number of proxy kits
- › Strict data security and data integrity guidelines

After an exhaustive RFP process, Vanguard notified Computershare that it had been selected in January 2017. The record date was set for August 16, 2017 with a November 15, 2017 shareholder meeting date.

This case study examines the strategy and execution behind the success of the largest proxy campaign in the history of the mutual fund industry.

PREPARE EXTENSIVELY AND DEDICATE RESOURCES

In order to ensure a successful outcome, Vanguard was committed to spending significant time and resources to developing a thorough and thoughtful plan of execution that would achieve the goals of the campaign. The focus was on providing a positive shareholder experience during the solicitation and at the shareholder meeting.

A complex-wide proxy is not a frequent event for most mutual fund companies, so Vanguard assembled a core team with significant support from senior executives across the firm.

Pre Record Date, the Vanguard Team:

- › Organized work streams
- › Scrubbed immense amounts of data
- › Determined the most effective way to communicate with their shareholders
- › Determined how to get shareholders to understand and act on the matters at hand

An agile team structure enabled creative solutions to challenging tasks that emerged throughout the campaign. In addition to the core team, Vanguard had an expanded team of over 100 people dedicated to the endeavor and over 5,000 crew members trained on web-based and in-person trainings so they could address any inbound shareholder inquiry.

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– Laura Merianos, Principal,
proxy sponsor, Vanguard

KEYS TO PROXY SUCCESS

- > Plan and prepare internally
- > Select an experienced proxy vendor that understands your business' unique needs
- > Review project and budget statuses frequently
- > Gain a deep understanding of your shareholder base

SUPPORT FROM A COLLABORATIVE PARTNER

The collaborative partnership with Computershare also empowered the proxy team to make smart campaign decisions based on insights and experience. The two firms had a standing session at least once a week to carefully review the project plan status, roadblocks that may need to be removed and the costs to date so Vanguard could limit surprises. There were also regular sub-committee meetings with teams focused on gathering votes from holders in specific distribution channels. Using their extensive experience, Computershare enabled Vanguard to anticipate shareholder reactions to everything from call scripts to appearing at the actual shareholder meeting.

UNDERSTAND YOUR SHAREHOLDERS TO PROVIDE A POSITIVE EXPERIENCE

Understanding shareholder expectations was a driving force behind the robust digital strategy that Vanguard rolled out to supplement the proxy and provide the best possible experience for its clients. The firm endeavored to provide a simple, user-friendly online educational experience primarily for retail holders to explain and clarify the proposals that they were being asked to vote on. Shareholders commended the firm for simplifying the process and communicating clearly.

Dedication to the shareholder experience also led to creativity and innovation. The team crafted voice memos for outbound calls and they created videos to present information in an interesting way, even coming together to produce a video with the CEO of the company explaining why investors should vote for a particular proposal.



20 million
shareholders



69 million
unique accounts



1.3 million
outbound calls

Vanguard can attribute much of its shareholder meeting success to comprehensive preparation and planning. When asked what advice they would share with others contemplating large proxy initiatives, Laura Merianos offered: “Planning is key. You must secure adequate internal resources and ensure their availability for the duration of the proxy campaign. Developing an internal communication plan is also really important.”