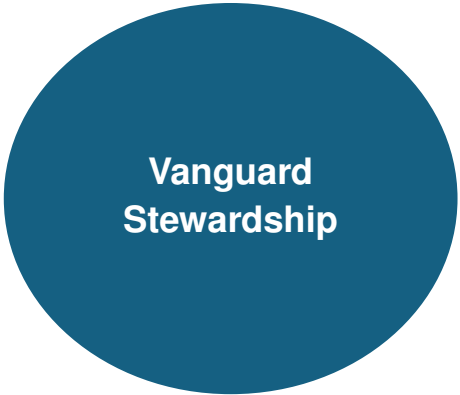
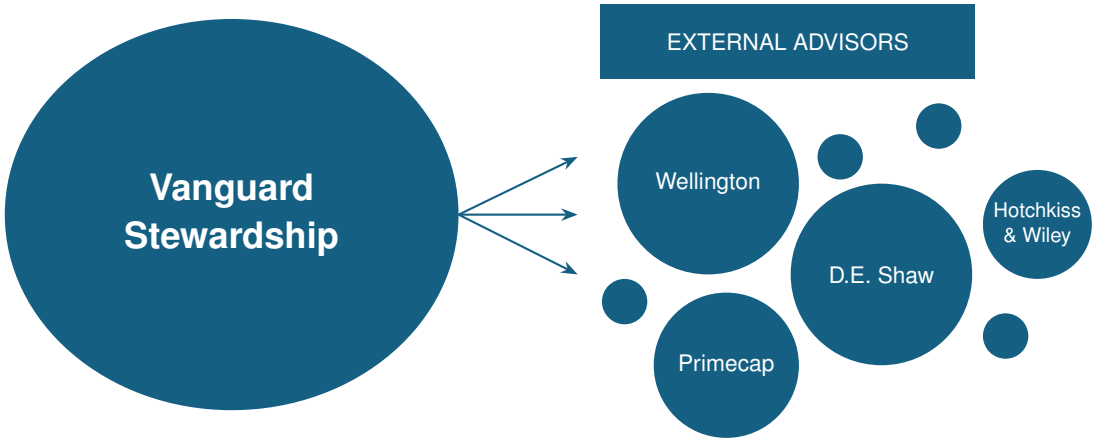
Decentralized Voting Power

Discussion by Michelle Lowry



Factors that affect voting

- Large family – economies of scale / scope
- Many passive funds
- Business ties / pension business



Factors that affect voting

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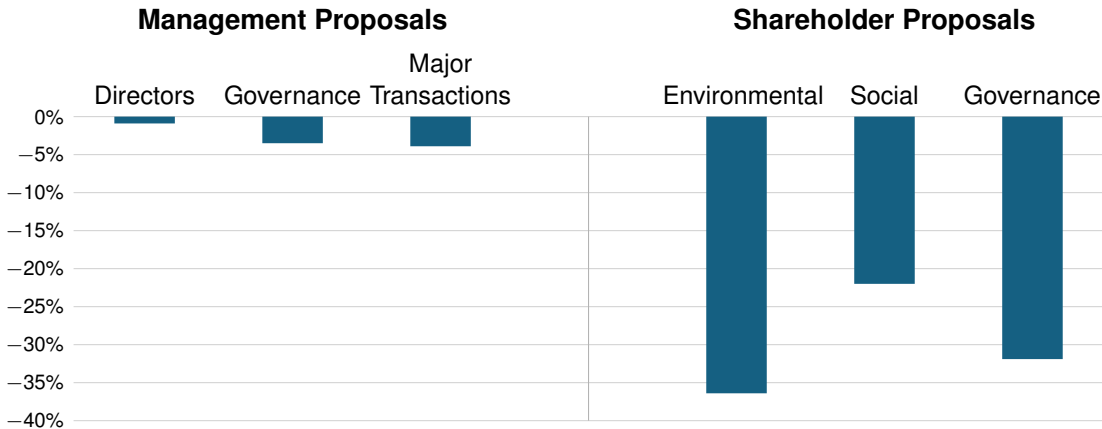
Different incentives to monitor portfolio firms via voting

- Lower:
  - Smaller entities, less economies of scale/scope
- Higher
  - Don't belong to family dominated by passive
  - Less affected by conflicts of interest, business ties

Propensity of external advisors to vote for management
Relative to Vanguard internal funds



Interpretations of results
Connections to broader patterns in voting

1. WHY are external funds more anti-mgmt.?

2. Differences between Vanguard and other fund families

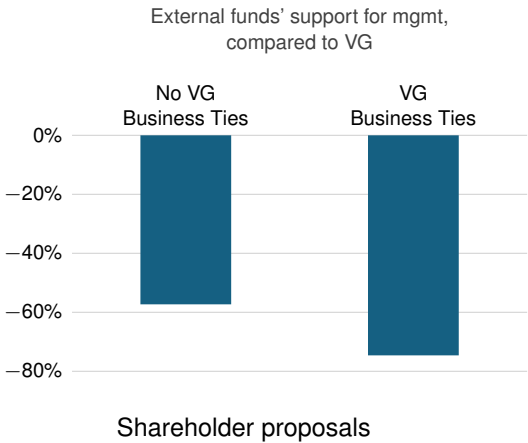


Why are external funds more anti-mgmt?

- Fewer conflicts of interest?
- More intense research?
- Greater reliance on proxy advisory service cos?
- Vanguard monitors through other channels?

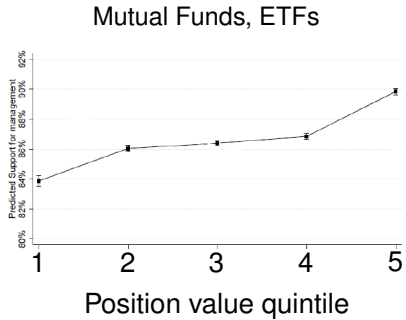
Why are external funds more anti-mgmt.?

Explanation 1 = fewer conflicts of interest, e.g., business ties



- Effects ∼30% greater when there are business ties
  - Large magnitudes!
- What I want to know
  - Do any external funds have such business ties?

Comparing the effects of business ties in another setting



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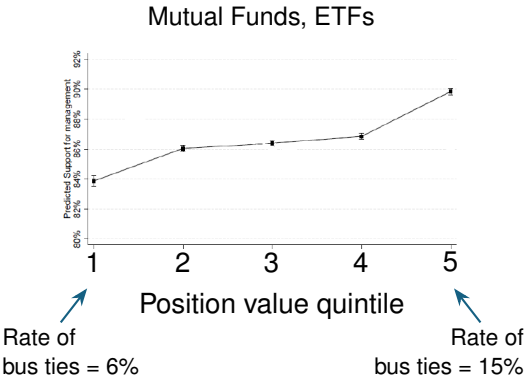
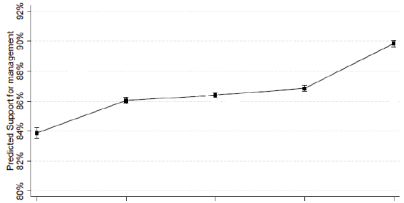


Comparing the effects of business ties in another setting

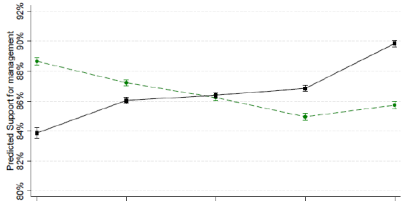
Mutual Funds, ETFs



Rate of bus ties = 6%

Rate of bus ties = 15%

Comparing to Institutional Managers
(Hedge funds, banks, pension funds, PE, etc)



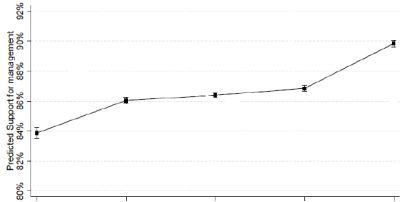
Iliev and Lowry, 2026

Rate of bus ties $\sim$ 0%

Rate of bus ties = 2%

Comparing the effects of business ties in another setting

Mutual Funds, ETFs



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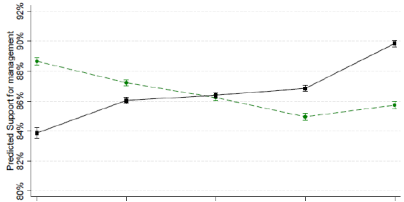


Iliev and Lowry, 2026

Rate of bus ties ~ 0%

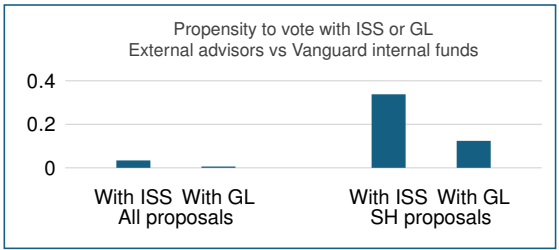
Rate of bus ties = 2%

Business ties explain 2/3 of the more pro-mgmt. stance of large MFs vs large IMs

Do business ties explain a similar % if you focus on external funds without business ties?

Why are external funds more anti-mgmt.?

Explanation 2 = more intense research / monitoring?



- Average external fund
  - Becomes more likely to follow proxy advisory recs

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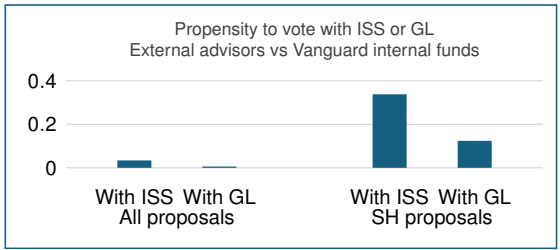

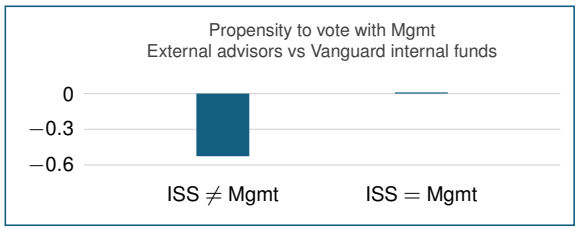

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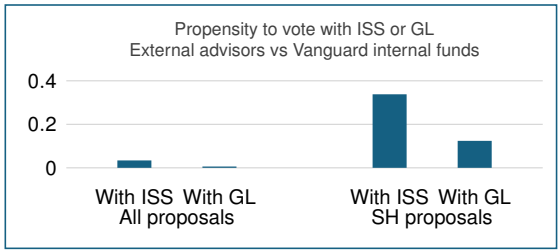

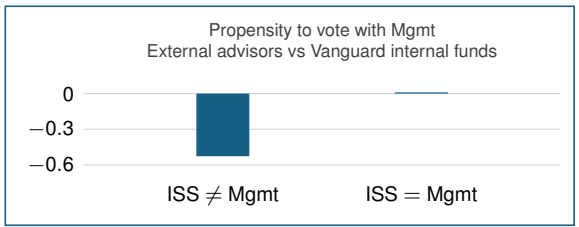

- Average external fund
  - Becomes more likely to follow proxy advisory recs
  - $\neq$ independent research
- Funds w/ lower costs of voting
  - This tendency is moderated
  - Potentially reversed

Why are external funds more anti-mgmt.?

Explanation 2 = more intense research / monitoring

- Q1: How should we think ISS/GL relative to VG controlling vote?

- Q2: What % of total votes are controlled by low voting costs funds

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- Q1: How should we think ISS/GL relative to VG controlling vote?
  - Better – ISS/GL not biased by pension fund business
  - Worse – ISS/GL biased by consulting business
  - Worse – ISS/GL not a fiduciary
  - I'm not sure. . .
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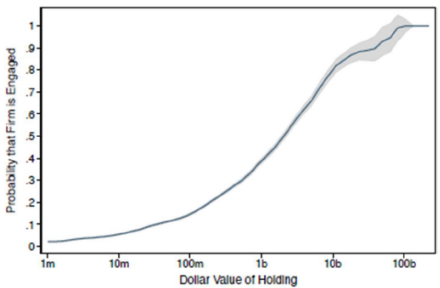
  - I'm not sure. . .
- Q2: What % of total votes are controlled by low voting costs funds
  - Such funds less likely to simply follow ISS/GL
  - Can you develop more comprehensive measure of low voting cost funds
    - Include other investor heterogeneity measures
    - Fund economies of scale (size), Fund turnover *(Iliev and Lowry, 2015)*

Why are external funds more anti-mgmt.?

Explanation 3 = Vanguard monitors through other channels



Heath, Macciocchi, Ringgenberg, 2025

- Large MF families
  - More likely to engage than smaller MFs
  - More likely to engage on larger holdings
- Voting 'FOR' mgmt. $\rightarrow$ access
  - Achieve change through engagement *(Barry, Malenko, Malenko, 2026)*
  - Use voting against only as a last resort
- Smaller MF families arguably less able to get mgmt. attn
  - Therefore they rely on voting

Why are external funds more anti-mgmt.?
Summary

1. Fewer conflicts of interest, e.g., business ties
2. More intense research / monitoring
3. More reliance on proxy advisory service cos
4. Less reliance on engagement as a means of pressuring firms

- Evidence in support of all these within literature

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- Evidence in support of all these within literature

- Key advantage: Unique setting to examine relative influence of each
- Fundamental ques: After Vanguard's shift, did monitoring $\uparrow$ or $\downarrow$?

Interpretations of results
Connections to broader patterns in voting

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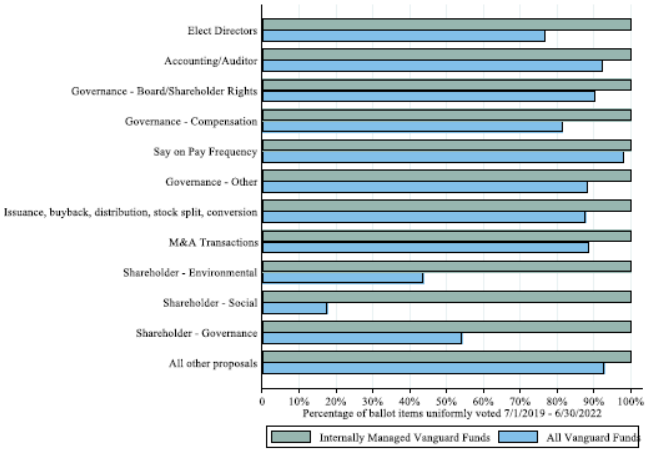
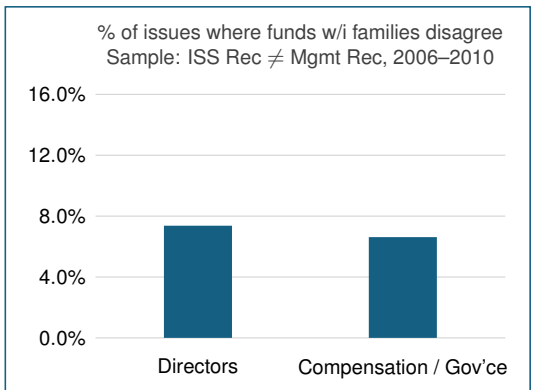
Tendency of Vanguard funds to vote as a block



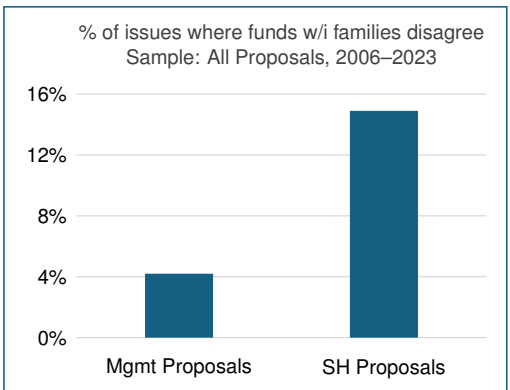
Internally managed VG funds ∼always all vote in same direction
(Green bars)

Substantially less agreement across sample that includes internally and externally managed funds
(Blue bars)

Broader samples: nontrivial disagreement within fund families

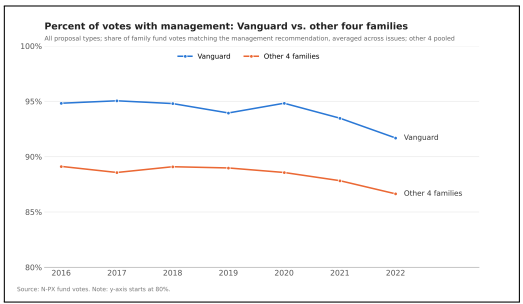


Iliev and Lowry, 2015

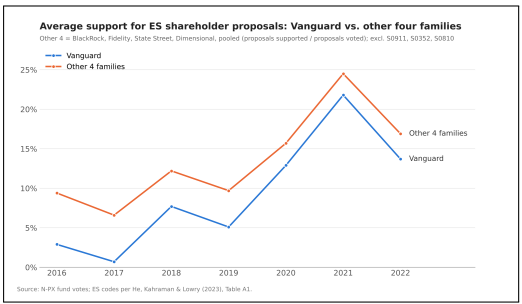


Michaely, Ringgenberg, Rubio, and Yi, 2026

Support for Management: Vanguard vs 4 other large MF families (BlackRock, State Street, Fidelity, DFA)



Across all issues,
VG tends to be more pro-mgmt



Among ES shareholder proposals,
VG less likely to vote for (i.e., more likely to side w mgmt.)

Conclusion

1. WHY are external funds more anti-mgmt.?
   - And can we learn anything about relative contribution of each factor

2. Are documented outsourcing effects unique to Vanguard?
   - Vanguard has reputation for being very pro-management
   - Not necessary that Vanguard be the same as other fund families
   - In fact, potentially interesting to consider differential effects of such programs across different fund families