



Mutual Fund and ETF Due Diligence Checklist

Mutual Funds (Review and Document as much information as available)

Consider and Compare Expenses

Purchase Account Management Redemption Distribution Fees

Fund Volatility

Standard Deviation Risk-adjusted Returns Return Numbers

Long-term returns

Turn over ratios

% of the portfolio that is bought and sold each year

Fund philosophy matches investor

Value Investor Growth Investor?

Diversification of Assets

Heavy sector or industry bets Different types of funds Fund families

Fund vs Benchmark (know the appropriate benchmark)

ETF (Review and Document as much information as available)

Evaluate the Index/Fund- does the index and/or fund objectives align with a client's portfolio?

How long has the index existed?

Is the index concentrated in particular sectors, companies, or countries?

What is the index weighting methodology?

How often is the index rebalanced?

Examine the fund provider.

How experienced is the ETF provider in developing and managing ETFs?

What are the firm's total assets under management and total ETF AUM?

Does the firm enjoy good relationships with index providers and the advisory community?

How does the firm manage risk?

Does the firm provide valuable trading support and ongoing education?

Examine the ETF's product structure.

How many stocks or bonds are in the index and what are the fund's diversification guidelines?

What is the investment approach? Does the ETF hold everything in the index?

What are the fund's top holdings?

Do the ETF's holdings make sense in terms of the objectives of the fund?

Do the index's holdings overlap significantly with existing strategies in the client's portfolio?

Does the ETF follow a traditional market capitalization weighting scheme or is it equal weighted?

What are the ETF's assets under management?

What is the regulatory designation of the ETF (unit investment trust, open-end fund, grantor trust, exchange traded note)?

If the ETF lends securities, what is the collateralization process and how is risk managed?

Are there redemption fees?

How well does the ETF track its benchmark?

What's the difference over time between the fund's return and the index's return?

Consider the total cost. Does the ETF minimize expenses?

What is the fund's total expense ratio?

Are there guidelines to minimize the fund's rebalancing costs?

What are the trading costs (commissions and transaction costs) associated with buying the ETF shares?

What is the average bid-ask spread?

What is the tracking error of the fund?

Gauge Liquidity. Can you trade when you want to?

What is the ETF's average daily volume?

How does the ETF maintain liquidity?

Has liquidity been impacted due to market volatility?

Does trading activity cause dramatic price swings?