



ETF Due Diligence in Singapore: A 12-Point Checklist

Description

An exchange-traded fund is a wrapper, not a verdict. Two ETFs described as “global”, “income” or “technology” can follow different indices, concentrate in different holdings, use different currencies and expose investors to different counterparty, tax and trading risks. Comparing only the name, recent return and annual fee can therefore produce a confident answer to the wrong question.

This 12-point ETF due-diligence checklist is designed for a Singapore retail investor comparing listed funds. It uses the [MoneySense ETF guide](#), fund documents and MAS records as the evidence trail. It does not rank or recommend a particular ETF.

Start with a one-minute identity check

Write down the full legal fund name, share class, exchange, ticker, trading currency, fund domicile, benchmark and whether the class distributes or accumulates income. Then match those details across the product highlights sheet, prospectus, manager’s site and exchange page. Similar tickers or names are not proof that two listings are the same share class.

If any identifier conflicts, stop. A factsheet found through search may belong to a different listing, currency class or month. The [MAS OPERA prospectus and product-highlights repository](#) is one place to verify current Singapore-offer documents; registration or availability is not a recommendation.

The 12-point ETF checklist

1. Give the ETF one clear job

State what the holding is meant to do: broad equity exposure, bonds of a defined maturity or credit range, a sector allocation, inflation sensitivity or another specific role. “It has gone up” is not a job. The role determines the appropriate benchmark and the risks that deserve attention.

2. Read the benchmark methodology

Record the index name and who maintains it. Check the eligible universe, weighting method, rebalancing schedule, country and sector definitions, treatment of corporate actions and any cap on individual constituents. A market-cap index can become dominated by its largest companies; an equal-weighted or factor index makes different bets and may trade more often.

Inspect the top 10 holdings and their combined weight, not just the number of constituents. A fund with 300 securities can still have most of its risk concentrated in one country, sector or cluster of related firms.

3. Identify the replication method

A physically replicated ETF holds all or a sample of the benchmark securities. Sampling creates scope for tracking differences. A synthetic ETF uses derivatives, such as swaps, to obtain the benchmark return and introduces counterparty and collateral questions. MoneySense explains that synthetic ETFs on SGX are marked with 'X' in the security name.

For physical funds, check full replication versus sampling and whether securities lending is permitted. For synthetic funds, identify the swap counterparty, exposure limit, collateral composition, reset arrangements and what happens after a counterparty default. If the structure cannot be explained in plain language, do not move to the performance table.

4. Map the three currencies

Currency	What it describes	What it does not prove
Trading currency	The currency used to buy and sell that exchange line	That the underlying assets are in the same currency
Fund or base currency	The accounting currency used in fund reporting	That currency risk has been removed
Underlying exposure currencies	The currencies affecting the securities or economic exposures held	That a Singapore-dollar trading line is hedged to SGD

Look specifically for 'hedged' or 'unhedged' in the share-class documents and read the hedge policy. Buying an ETF in Singapore dollars can avoid one transaction conversion at the broker yet leave the underlying foreign-currency exposure intact.

5. Calculate total ownership cost

The total expense ratio is only one layer. Classify each item before adding it: disclosed recurring fund costs; investor-level brokerage, minimum commission, bid-ask spread, clearing, platform, custody and foreign-exchange costs; and observed fund-versus-index performance. Withholding-tax or operational drag may already appear inside tracking difference, so document the explanation without automatically adding it as another charge.

Use two alternative views, not one formula that combines both:

- **Ex-ante planning estimate = disclosed recurring fund costs + expected transaction costs + account or platform costs + expected foreign-exchange costs.** This is the forward-looking budget before the holding period is observed.
- **Ex-post observed drag = tracking difference over a comparable period + investor-level transaction, account and foreign-exchange costs actually paid.** This is the backward-looking investor experience.

Do not add the total expense ratio or expense ratio again in the ex-post view when tracking difference is already being used. Tracking difference is the realised gap between fund and index returns and ordinarily incorporates recurring fund expenses plus other operational, tax and replication effects. Adding the disclosed fee again would double-count part of the same drag.

6. Measure tracking, not just fund return

Compare the ETF with its stated benchmark over several consistent periods, using the same currency and return convention. Record both tracking difference and the variability of that difference. A one-year gap can be distorted by inception timing, tax, rebalancing or market conditions. Persistent and unexplained underperformance deserves an explanation from the reports.

7. Check trading liquidity and underlying liquidity

Average exchange volume is not the whole story. Review the current bid-ask spread, visible depth, presence of market makers, fund size and liquidity of the underlying basket. An ETF can have modest screen volume yet trade efficiently through the creation and redemption mechanism, while an apparently active ETF can widen when its underlying market is closed.

Compare spreads when the underlying market is open where practical. Treat the quoted spread as a cost that can change, not a fixed property of the fund. Use price-controlled orders when price certainty is important, recognising that execution is not guaranteed.

8. Compare market price with NAV information

ETF units trade in the market and may be priced above or below net asset value. Check the latest published NAV or indicative value, its timestamp and whether underlying markets were open. A stale NAV is not a live fair-value promise. Large or persistent premiums and discounts require investigation before an order.

9. Examine securities lending and counterparty exposure

For funds that lend securities, record the permitted amount, counterparties, collateral standards, revenue split and how lending income and risk accrue to investors. For derivatives, identify exposure and collateral terms. “Physical” does not automatically mean no counterparty exposure, and “synthetic” does not mean every structure has identical risk.

10. Understand distributions

Check whether the share class accumulates income or distributes it, how often distributions are expected and whether the fund documents permit distributions from capital. A high recent distribution is not the same as a high economic return. Compare total return and NAV movement, not the cash payment in isolation.

11. Plan for closure, merger or delisting

Read the termination provisions and note the fund's assets, age and commercial viability. A small fund is not certain to close, but closure can force a sale or cash distribution at an inconvenient time and create reinvestment or currency costs. Record how notices will reach the investor through the chosen broker or custodian.

12. Set the order and monitoring rule

Before buying, write the maximum position size, order currency, acceptable spread, order type and reason to reject the trade. After buying, monitor benchmark or methodology changes, fee changes, tracking, size, counterparty arrangements, distributions and fund notices. A quarterly or semi-annual review is usually more informative than reacting to every market move, unless a material announcement occurs.

Specified Investment Product check

Some ETFs are Specified Investment Products (SIPs), reflecting structures or features that may be less familiar to retail investors. MoneySense explains the customer-account review requirements and the identifier used for listed SIPs. Passing an assessment addresses knowledge and experience; it does not establish that the ETF is suitable or low risk. Read the [SIP explanation](#) and the product documents rather than treating platform access as approval.

A comparison sheet that prevents false shortcuts

Field	ETF A	ETF B	Evidence date
Portfolio job and benchmark			
Top-10 concentration			
Replication and lending			
Domicile and three currencies			
Expense ratio and tracking difference			
Spread and underlying-market hours			
Distribution treatment			
Closure and counterparty risks			

Our [CPF Investment Scheme TER-cap guide](#) is relevant only when assessing CPFIS rules; it does not make an ETF suitable. The [LBRD beginner investing guide](#) helps establish capacity and portfolio purpose before product selection.

Reject an ETF for now if its benchmark, structure, currencies or true cost still cannot be explained after reading the current documents. The discipline of leaving a comparison box blank is valuable: it turns uncertainty into a research task instead of disguising it as diversification.

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