ETF Research Framework

1. Strong Performance History

Consider ETF performance over past 5 years and longer.
Fund should have consistently grown! If not, move on.
If the fund is very new and has no history, move on.

2. Diversification - the more the better!

- Geographic diversity = e.g. Italy, China, Australia, etc.
- Sector diversity = e.g. Finance, Telecommunication, Technology
- Asset Type = Stocks, bonds, commodities

3. Many Holdings, good distribution & minimal holding overlap

- Largest holdings don't contain a majority of the % of an ETF, to ensure diversification
- Many holdings in the ETF to ensure it is diversified
- Holdings are different to other ETFs in my portfolio (low overlap)

4. Large Fund Volume

The larger the fund volume the better. Over $500USD is considered quite safe.
This shows the fund is established and stable.

5. Replication Type - ideally Physical

Whether the ETF uses physical replication (buys actual underlying asset) or synthetic replication ('swap' agreement with financial institution)
Physical is always safer!

6. Old ETF Age

The older a fund is the better, to show it has a proven track record - minimum 5 years. Longevity shows the ETF can sustain performance.

7. Check Dividend Yield

Annual dividend payout percentage relative to share price:

- Growth ETFs: 1.5-3%
- Dividend-focused ETFs: 3%-6%

8. Distribution Policy

Whether the ETF **distributes** dividends (cash to you) or **accumulates** them (reinvests).

- Distributing: Best if you want income
- Accumulating: Best for Compounding - more tax efficient.

9. Expense Ratio

Annual Management fees of the ETF, shown as a percentage

- Broad index: typically <0.2%
- Specialised /Niche ETFs: typically <0.5%

10. Sustainability Criteria

Exclusion criteria: e.g. fossil fuels, arms, tabacco
ESG score from S&P Global and Sustainalytics