



AIMA Due Diligence Considerations for Retail Investment Advisors

INVESTMENT MANAGER

- What is the background and experience of investment manager & the investment team?
- What is the governance surrounding the investment manager & investment team?
- What are the features of the investment manager's compliance culture?
- What risk management frameworks are in place (independent reporting lines, operational risk management, conflicts of interest, etc.)?
- Are the members of senior management of the investment manager, the portfolio manager and/or the fund directors personally invested in the fund?

STRATEGY

- What is the fund's investment objective and principal investment strategies?
- Have the objectives of the investment strategy changed in the past 5 years?
- From where are the underlying positional data, market data and any underlying models sourced for this strategy? Position limits?
- Who makes the portfolio management decisions and how are they made?
- Performance history? In what type of markets would this strategy be expected to outperform or underperform?
- What method(s) does the investment manager use to measure the total risk of a portfolio using this strategy?
- How much financial leverage does the fund use on average? Limits? Sources?
- Are there any capacity constraints?
- Offering documents, subscription agreements, and process for purchases and redemptions? Fees? Performance fees and calculation methodology?
- Valuation policy and frequency?
- How long would it take in normal market conditions and stressed market conditions to liquidate the fund without incurring unusual costs?
- What portfolio data does the investment manager provide to investors, and with what frequency and time lag?
- Who are the outsourced service providers of the fund (i.e., prime broker, auditor, custodian, administrator, legal)?

September 2018