

## **Анализ российского рынка коллективных инвестиций в 2017 году и тенденции его развития**

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### **Аннотация**

В данной статье представлен анализ российского рынка коллективных инвестиций в 2017 году и тенденции его развития. Было исследовано текущее состояние рынка ПИФов, проанализированы возможные причины, повлиявшие на развитие рынка. Также рассмотрены основные тренды рынка, включая увеличение доли пенсионных накоплений в составе активов фондов, снижение ставки по депозитам повлекшее за собой рост спроса на рынке ПИФов и общее уменьшение количества фондов.

**Ключевые слова:** ПИФ, инвестиции, пенсионные накопления, фонды, коллективные, фондовый рынок

### **Analysis of the Russian market of mutual funds in 2017 and trends of its development**

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### **Annotation**

This article presents an analysis of the Russian market of mutual investments in 2017 and trends in its development. The current state of the mutual fund market was researched, and possible reasons that

influenced the development of the market were analyzed. The main market trends were also considered, including an increase in the share of pension savings within the assets of the funds, a reduction in the deposit rate, which led to an increase in demand in the mutual fund market and a general decrease in the number of funds. Conclusions are drawn on further development of the collective investment market in Russia.

**Keywords:** mutual fund, investments, pension savings, funds, collective, stock market.

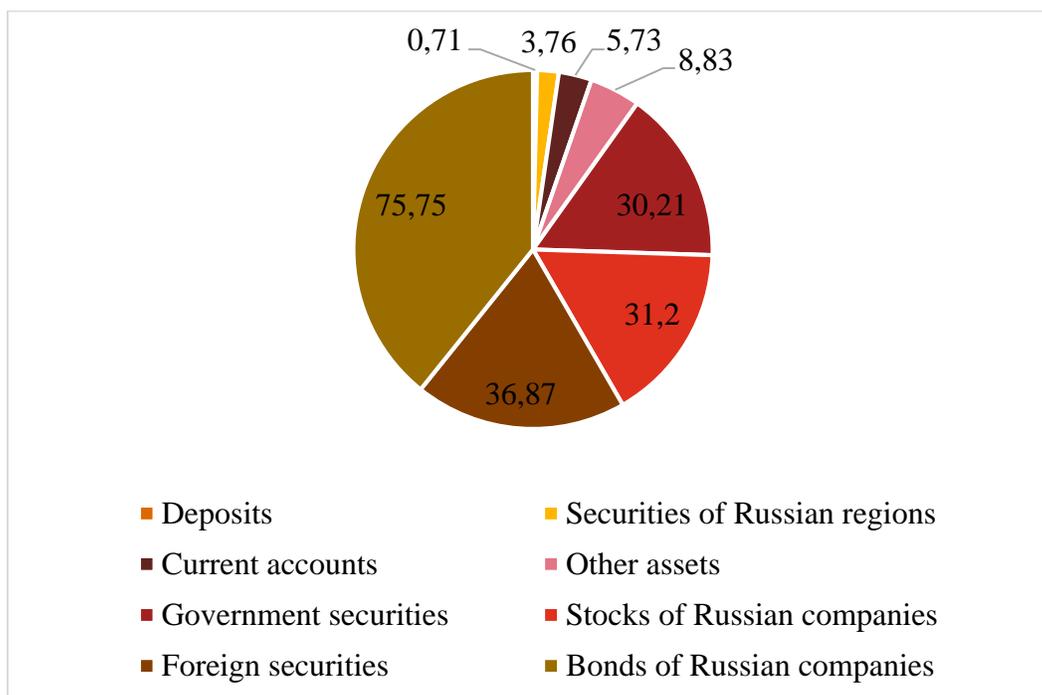
In this article, we will concentrate on analyzing the dynamics of the development of unit investment funds (Mutual Funds), but first let us define the definition of this concept. Mutual fund is a property complex, without the formation of a legal entity, which is based on trust management of the fund's property by a specialized management company with the aim of increasing the value of the fund's assets. Thus, such fund is formed from the money of investors (shareholders), each of which has a certain number of shares.

In general, for the mutual investment industry in Russia, the year 2017 was the most successful in history. In 2017, private investors invested in retail mutual funds more than in all previous years. Since the first months, inflows to open-end funds have been gaining momentum, and in May, an unprecedented amount of 6.2 billion rubles was raised. In the next five months, the record was updated regularly and in October reached 8.5 billion rubles. After a small lull in December, a new record was set - 10 billion rubles. In total for 2017, private investors invested 73.2 billion rubles in open-ended funds, which is more than five times higher than in 2016 and above the previous historical maximum of 2006. The record was also beaten at the worth of net assets, which for the first time exceeded 220 billion rubles.

The last time such euphoria was observed in 2005-2007, when the volumes of the market and the number of mutual fund units doubled every year. The crisis of 2008 was also a rip-off for the Russian economy in general, and for the market of mutual investments in particular. Its recovery dragged on for almost a decade - the imposition of sanctions against large Russian companies and banks, the fall in oil prices, the devaluation of the ruble and the growth of inflation aggravated the situation. Only by the beginning of 2016 there was formed a positive confidence in the market, and in 2017 it became even stronger. [1]

Below you may see the structure of open-ended funds by the directions of their investments. Most of funds prefer to invest in relatively low risk bonds of Russian companies, with large fund of assets being also diversified in stocks of both Russian and foreign companies. Another large share of investments goes for low-risk government securities. Only towards the end of the year did the increase

in interest in equity funds become evident. During the year they invested about 2 billion rubles, more than 75% of these funds were received within the last 5 months. The least desirable asset for mutual fund as presented in the figure are deposits which is no surprise as deposit rates are plummeting, and we will analyze that part later on.



**Fig. 1. Structure of open-end mutual funds (by directions of investments) on 31.12.2017, bil. rub.**

As a result, despite record inflows of funds to mutual funds, there has been no significant increase in the number of clients. According to the Central Bank, for three quarters of 2017 the number of open personal accounts in retail mutual funds increased by only 5.7%, to 397.6 thousand units. This is a record result for the last two years, although it loses the indicator of 2007, when, the number of accounts in retail funds exceeded 450 thousand units. At the same time, growth is not at the expense of broad retail. The main inflows are from the clients of the premium and private segments, which account for 60% of all customers and 80% of the volume of attraction. According to the Central Bank, the average account in retail funds is approaching 500 thousand rubles. In Alfa-Capital and Sberbank Asset Management, the average account of the new shareholder is 600-800 thousand rubles, while the average account in Sberbank Asset Management reaches 1.5 million rubles. [3]

Another important trend to analyze is the growth of pension funds as the source of financing of mutual funds. From 2014 to 2017, two-thirds of the growth in this market was provided by pension savings, accounting for 59% of all mutual investment in the Russian Federation. According to our

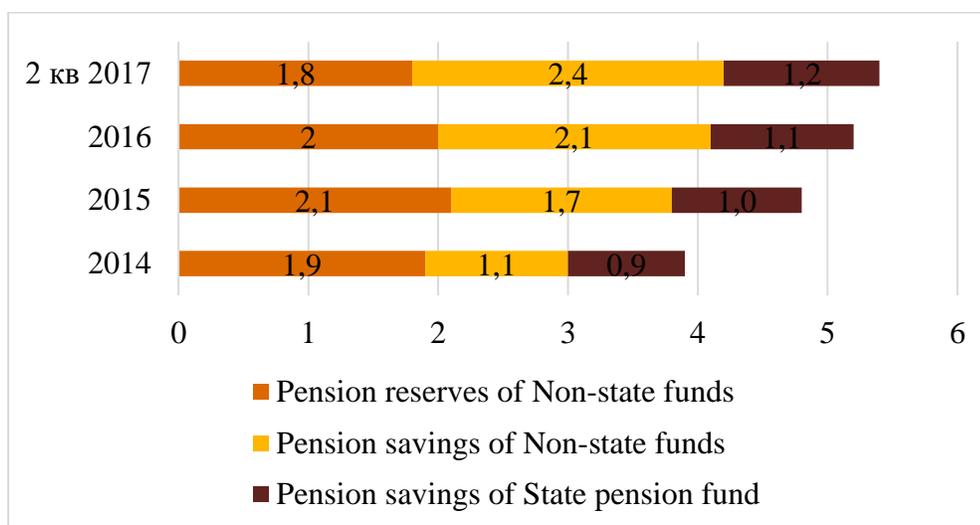
estimates, pension funds will continue to form the largest share of this market. However, the pace of its growth will gradually decline after the introduction of the system of individual pension capital. [2]

The new budget rule implies a reduction in state spending, which will limit the possibilities for increasing funding for the state pension fund deficit. The transfer by the state of pension insurance functions to financial institutions will generate demand for a more developed domestic bond market and generally will contribute to further development of mutual investment market.

In the legislation of Russian Federation the following definitions of pensions are given:

- pension savings - public funds accrued to the accounts of insured persons;
- pension reserves - own funds of citizens, voluntarily transferred to the management of a

non-state pension fund (NPF).



**Fig. 2. Structure of pension funds in trust management in the Russian market of mutual investments, bil. rub.**

From 2014 to the second quarter of 2017, the share of pension savings of NPFs in the mutual investment market increased from 56.7 to 71.6%, while the share of voluntary pension insurance (pension reserves) decreased from 41.3% to 27.2%. Pension funds will continue to form the largest share of the collective investment market. [5]

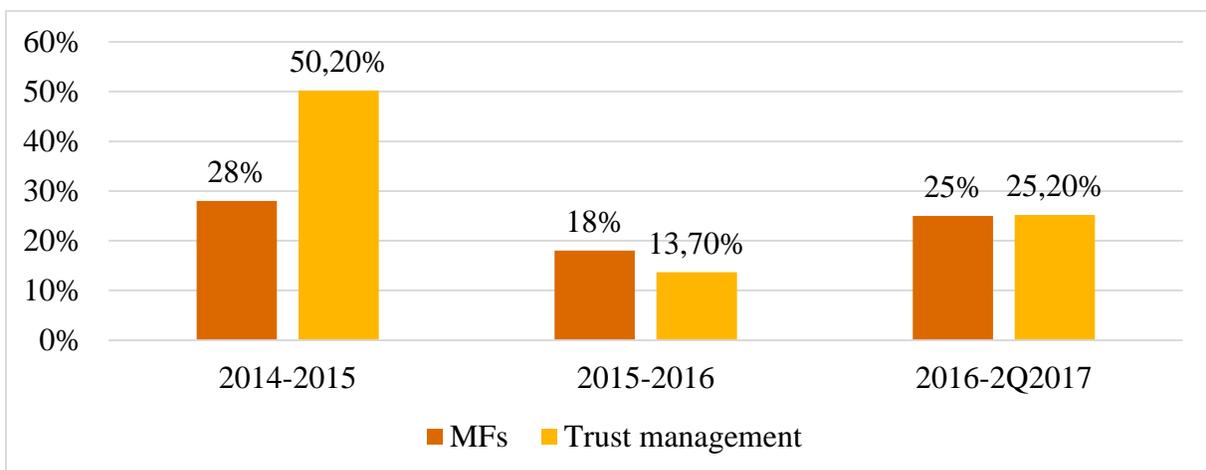
Another trend is that since 2014, the number of management companies (MCs) has significantly decreased (from 401 to 286), and this trend will continue in the next three years. Consolidation of the trust management market is facilitated, in particular, by such factors as the need for management companies to have sufficient amount of own funds, a general reduction in the number of large founders of management companies, the need to introduce qualified risk management service and make significant investments in information technology to automate a number of business processes. Among mutual

investment funds (MIFs), open (OMFs) and interval (IMFs) mutual funds showed an increased dynamics, which, unlike the closed ones, from 2014 to the first half of 2017 were able to demonstrate an average annual increase from 4% to about 24%. So in general there is a strong tendency of consolidation among companies and steady growth which shows that the market is maturing and becoming more and more stable.

The number of players on the collective investment market is reducing: from 2014 to the second quarter of 2017, the number of management companies and non-government pension funds decreased from 401 to 286 and from 120 to 69, respectively. [6]

Under trust management for both corporate, and individual clients is understood. Other assets include registered capital, trust funds, funds of self-regulating organizations, as well as reserves of insurance companies.

Consolidation of the trust management market is facilitated, in particular, by such factors as the need for a business manager, a sufficient number of own funds, a general reduction in the number of large founders, ensuring the introduction of a qualified service, risk management and the implementation of significant investments in information technology to automate a number of business processes.



**Fig. 3. The growth rates of the most dynamic sectors of the collective investment market in Russia**

The increased interest of individuals to the financial instruments of the stock market can be explained by the current and further forecasted decrease in rates on bank deposits, as well as the spread of individual investment accounts (IIS) and tax incentives within the framework of IIS.

The possible extension to 2020 of the moratorium on the accumulative part of the pension and the subsequent cancellation of the funded component are estimated as the most probable events. The

most anticipated pension product is the individual pension capital (some analogy to pension savings), which is expected to be launched in 2019-2020. [4]

In accordance with the current concept, the IPC system will be built on voluntary contributions of citizens. It is expected that the requirements for the composition and structure of these allocations will be similar to the requirements for pension savings. Thus, in its economic essence, the PKI system will be much closer to pension reserves than to pension savings.

The initial size of the PKI is formed by the pension accumulation of citizens, which are at the time of introduction of the system in the non-state pension fund. If a citizen has not decided on the choice of NPFs, leaving his pension savings in the FIU, the choice of a non-state pension fund to transfer the funded part of the pension will be carried out at random among all licensed APFs.

That is why today non-state pension funds most actively attract future potential participants of the PKI, motivating the citizen to make an informed choice in favor of NPFs. Recent changes in the IPC concept limit the mass application, especially at the initial stage: the replacement of auto-subscriptions (the contribution of Russian citizens to the IPC system will be 1-2% of the salary with the possibility of cancellation of participation or "tax holidays") by auto registration (bringing citizens into the pool of potential participants of the individual pension capital system).

According to the expectations, if auto-subscription was used as a key element of the system, within the first year after the introduction of the IPC, non-state pension funds should receive about 30-50 billion rubles. However, the introduction of an auto-registration model instead of auto-subscription will significantly reduce this amount, since it is now necessary to obtain the employee's consent to participate in the PKI, which will not only negatively affect the income of funds to non-state pension funds and, consequently, to management companies, but will also increase the cost of advertising this pension product and attracting customers.

According to analysts, pension funds will continue to form the largest share of the collective investment market. The rate of its growth will gradually decrease since the introduction of the IPC system. In the next three years, the interest of individuals to the stock market will continue. According to the Agency, the main instrument of mass attraction of investments of citizens to the securities market is the general increase in financial literacy in the country. Under the conditions of anti-Russian sanctions, the high-risk investment market will not have any significant growth factors in the near future, except for some shares ("local stories").

In 2018, it is expected that the main trends of the last months will be preserved, private capital flows from bank deposits to mutual funds will continue. According to the director of the department for

research and forecasting of the Central Bank Alexander Morozov, in 2018 the key rate can be reduced from 7.25% to 6.5%. With this development, banks will continue to reduce deposit rates. Most wealthy citizens do not invest money in mutual funds yet, but many are beginning to understand that the industry has great potential. The current inflow is a consequence of the activity of conservative shareholders, therefore bond funds will be in high demand in the near future. More risky investments in stocks will remain in the background.

However, asset management companies also forecast an increase in demand for more risky products. The potential of the Russian stock market is clearly underestimated, the share of investments in it will increase. Successfully working with bond funds, obviously many investors will want to invest in equity funds to earn even more. However, a mass transition to risky products is not expected. The stock market is volatile, and this is a serious danger. If there are too many shares in the investment portfolio, the shareholder may be at a loss at the time of the crisis, since other assets will not be able to compensate for the losses. Worse is the situation with eurobond funds: in 2018 they will noticeably lag behind, as they are hindered by the strengthening of the ruble.

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