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# State of the Investment Fund Market of as an Indicator of the Country's Socio-Economic Development

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**Abstract**

The paper introduces and confirms the following hypothesis: the system of the

investment fund market indicators can be considered as an indicator of the country's socio-economic development. In order to confirm the suggested hypothesis the paper has investigated the advantages and disadvantages of investment funds, promoting and hindering expansions of investment funds in the collective investment market, and has developed their classification according to a number of attributes. A system of indicative ratios of socio-economic development has been proposed in relation to the investment fund market: number of open-end mutual funds; net asset value of open-end mutual funds; capital inflow (outflow) into open-end mutual funds. The analysis of the Russian open-end mutual fund market has been performed. Based on this analysis, conclusions about the state of the economic and social development in Russia have been made.

Keywords: **Investment Fund Market; Investment Fund Market Conditions; Advantages of Investment Funds; Disadvantages of Investment Funds; Classification of Investment Funds; Indicator of Socio-Economic Development; System of Indicators; System of Indicative Ratios; Russian Mutual Fund Market**

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## INTRODUCTION

Given the general globalization of the world economy and despite the special cases of the interference of political events to these processes in recent times, it would be unwise to ignore the issue of indicator framework formation for the effective assessment of investment attractiveness of the region, when studying the Russian specifics of attracting investment resources and ensuring favorable investment climate [1]. The system of indicators of the investment fund market is also of particular interest. It can be considered to be an indicator of economic, public, political, and social development systems of society. By accumulating funds of small investors who are usually risk averse and are not financial market experts, investment funds allow such investors to maintain and increase their capital. However, they do not guarantee certain holding period returns. The higher the level of financial literacy of the population, the effective disposable income, and the overall standard of living area, all other things being equal, the larger is the number of individuals who are small investors without professional education investing their savings in investment funds. The authors introduce the following hypothesis: the system of the investment fund market indicators can be considered as an indicator of the country's socio-economic development. Hypothesis testing requires answering a number of questions:

- What makes investment funds attractive to small investors?
- What disadvantages inherent in investment funds can make an investor refuse to invest in such collective investment institution?
- How large is the range of options for an investor in the investment fund market?
- What particular investment fund market indicators can be indicators of socio-economic development?

# METHOD

## Theoretical and Methodological Background for the Paper

When writing this paper the authors have relied on research papers and applied developments of Russian and foreign scientists and practitioners on the issues being studied related to financial and securities markets, and particularly to investment fund performance. In the paper, a dialectical method of acquiring knowledge and a systematic approach to studying a problem have been used; general scientific and special study methods have been applied: analysis, in particular comparative analysis, synthesis, analogy, classification, as well as historical and logical methods, tabular and graphical techniques.

The database of the research includes foreign legal acts on financial market, laws and regulations of the Russian Federation regulating investment activities, investment fund performance, issuance and circulation of securities, as well as conclusion of various transactions and conduct of respective operations. When writing the paper official statistical data have been used, as well as data obtained from official websites of research agencies, institutes and other organizations.

# RESULTS

## Advantages of Investment Funds

Considering the investment fund market it is first necessary to find out what makes this institution attractive to investors and whether it is generally attractive, otherwise the system of its indicators cannot be considered an indicator of the country's socio-economic development.

Like any other collective investment institutions investment funds have a number of advantages and disadvantages. Among the main advantages of investment funds, the following advantages should be noted:

(1) Professional capital management. A duly licensed management company manages all assets included in investment fund assets. A management company must meet a number of requirements to obtain the license. For example, pursuant to the laws of the Russian Federation, the organization's minimum amount of own funds must be at least 80 million rubles [2], and the staff must include employees who possess certificates of qualification entitling them to manage investment fund assets [3]. Another advantage of a management company is the ability to collect, process and analyze much more information in contrast to small individual investors. All this suggests professional trust management of investment fund assets.

(2) Investment risk diversification. Investment risk management is one of the most

important aspects requiring careful consideration when making decisions on investing in investment funds. Investing in any country in the world implies investment risk distribution and reduction. Investment funds provide for the establishment of a single asset pool mounting up several billions. For example, the value of one of the largest Russian open-end funds is Raiffeisen-Bonds is approximately 6,530,933,007 rubles [4]. A management company can invest assets accumulated within an investment fund in various entities, which allows to reduce (to average) the investment risks, all other things being equal. Of course, a small individual investor can also diversify own investment portfolio, however, in this case its efficiency will be significantly lower than the investment fund portfolio efficiency, also due to a lack of economies of scale.

(3) Strict statutory regulation. Most countries have adopted various laws and regulations regulating investment funds' activities. The main legislative instrument in Russia is the Federal Law of the Russian Federation "On Investment Funds" [5].

(4) Relatively low market entry threshold. Investment funds are generally available for small investors: among many investment funds, you can choose those that require investing small amounts of money. For example, the minimum investment amount for one of the most profitable Russian open-end funds VTB-Eurobonds Fund (annual yield as of 29.02.2016 is 53.55% [4] is 5,000 rubles [4]. Quite a lot of people can afford to invest the specified amount of money. This attracts small investors who will be able to become regular and even major customers of the management company.

(5) Cost reduction through economies of scale. Managing a large number of small investments as one large investment portfolio a management company can successfully reduce costs per unit of invested capital, which, all other things being equal, boosts returns of an investment fund.

(6) Information availability. Investment funds' activities are widely covered in various sources of information, among which the Internet is now the main one. In addition to basic details (name, address and bank details of an investment fund, the investment policy statement), particulars on the investment fund returns earned in prior periods are also available. This information is of some interest to investors allowing them to compare investment funds in order to choose the most appropriate one. For example, at the year-end 2015, Eurobonds Fund managed by Aton-Management Asset Management Company showed the highest yield among Russian open-ended funds (yield +70.19%), and URALSIB Global Commodity Markets Fund managed by URALSIB Management Company showed the lowest yield (as much as -9.88%) [4].

(7) Investment strategy optimization. Currently, in the investment fund markets in Russia and many other countries there is a large variety of investment funds allowing an investor to choose the best investment strategy depending on multiple factors (time, investment currency, etc.).

(8) Absence of significant time and educational costs. If an investor wants to invest the

available capital in an investment fund, in most cases, there is no need to obtain a professional degree, general financial and legal literacy is enough. Investments in investment funds can be combined with core activities because there are no significant time costs, moreover, modern communication systems and widely used digital signatures make it possible to negotiate and conduct transactions online without a physical presence in a management company or its representative office.

## Disadvantages of Investment Funds

However, investment funds still have a number of disadvantages hindering their even larger expansion in the global financial market.

(1) Lack of opportunities for investment portfolio personalization. When choosing personal trust management an investor can prepare an investment policy statement that 100 per cent meets his/her requirements. An investor has no opportunity like that when investing assets in investment funds; he/she can generally either accept an already established investment policy statement or refuse to invest in the relevant investment fund.

(2) Lack of a guaranteed yield. Investment funds cannot guarantee solid and predetermined returns unlike, e.g., bank deposits or bank certificates. As is well known, a high yield earned by an investment fund characterizes its past performance for a certain period of time, but it does not ensure its high effectiveness in future. “A favorite trick of a management company is to choose the right period of time when it has successfully placed its investors’ funds that have earned high returns and then to pass them off as own revenue which a person can constantly raise if his/her funds are invested in a company’s mutual fund” [6]. Despite the fact that a management company must specify a period of time during which a certain yield is earned, some investors buy into these marketing gimmicks.

(3) Limited opportunities for earning a regular current yield. Most investment funds do not involve payment of a current yield to its investors. Thus, once an investor puts up the funds in an investment fund he/she can receive the returns only through full or partial equity sale.

(4) Impossibility to respond quickly to changing market conditions. Some situations, such as a very high volatility of the Russian currency market in late 2014 - early 2015, require an investor to take prompt actions aimed at the revision of the investment portfolio. In these situations, transactions should be conducted only in terms of the minimum time lag. However, in most cases the sale of an investment fund share involves certain time costs. Thus, pursuant to the laws of the Russian Federation, the most liquid (open-end) investment funds have 10 days to pay monetary compensation [5].

## Classification of Investment Funds

Characteristics of the investment fund market cannot be an indicator of the country's socio-economic development if there is a lack of their diversity in the market. Only if an investor has many options to select among investment funds, it can be stated that any investor is able to find an investment fund that meets his/her objectives. Thus, investment funds can be an indicator of economic and social development because of the breadth of potential coverage of individuals who are small investors. The breadth of investors' choice in the investment fund market can be determined by classifying investment funds according to different attributes. The greater the diversity of investment funds, the more opportunities for an investor's optimal choice.

There are three types of investment funds able to operate worldwide:

• Corporate (joint stock) funds. A corporate investment fund is established similarly to a joint stock company. Shares of this fund can be purchased either under subscription or in the secondary market. Some investment fund portfolio management functions can be delegated to special purpose entities, namely, management companies. Revenues generated through activities of a joint stock fund are usually distributed among shareholders in the form of dividends. Thus, investors can earn not only final income after they sell their shares, but also current income in the form of dividends;

• Trust funds can be established in the countries where there is a legal concept of the trust (these are mainly countries subject to the Anglo-Saxon Legal System). An investment trust fund is established pursuant to a trust agreement. The trust agreement is a legal agreement between a Trustee and a Manager on creation of a trust under certain business terms. A Trustee is a legal owner of fund assets who is liable to fund beneficial investors. A Manager is responsible for fund investment portfolio administration and management, and a Trustee is responsible for preservation of assets and execution of investment decisions made by a Manager, as well as for investor protection.

• Contractual funds are mainly widespread in the countries subject to Romano-Germanic Law. They are created as a property complex pursuant to a co-ownership agreement (agreement with investors). In this case, the management of property constituting the fund is delegated to a management company obliged to act for the benefit of investors. A nominee holder of investment fund assets is an entity performing asset accounting and preservation. The primary source of income for investors is the difference (spread) between buy and sell prices for an investment fund share (investment unit); however, sometimes it is possible to earn a current yield [7].

General classification of investment funds is provided in Figure 1.

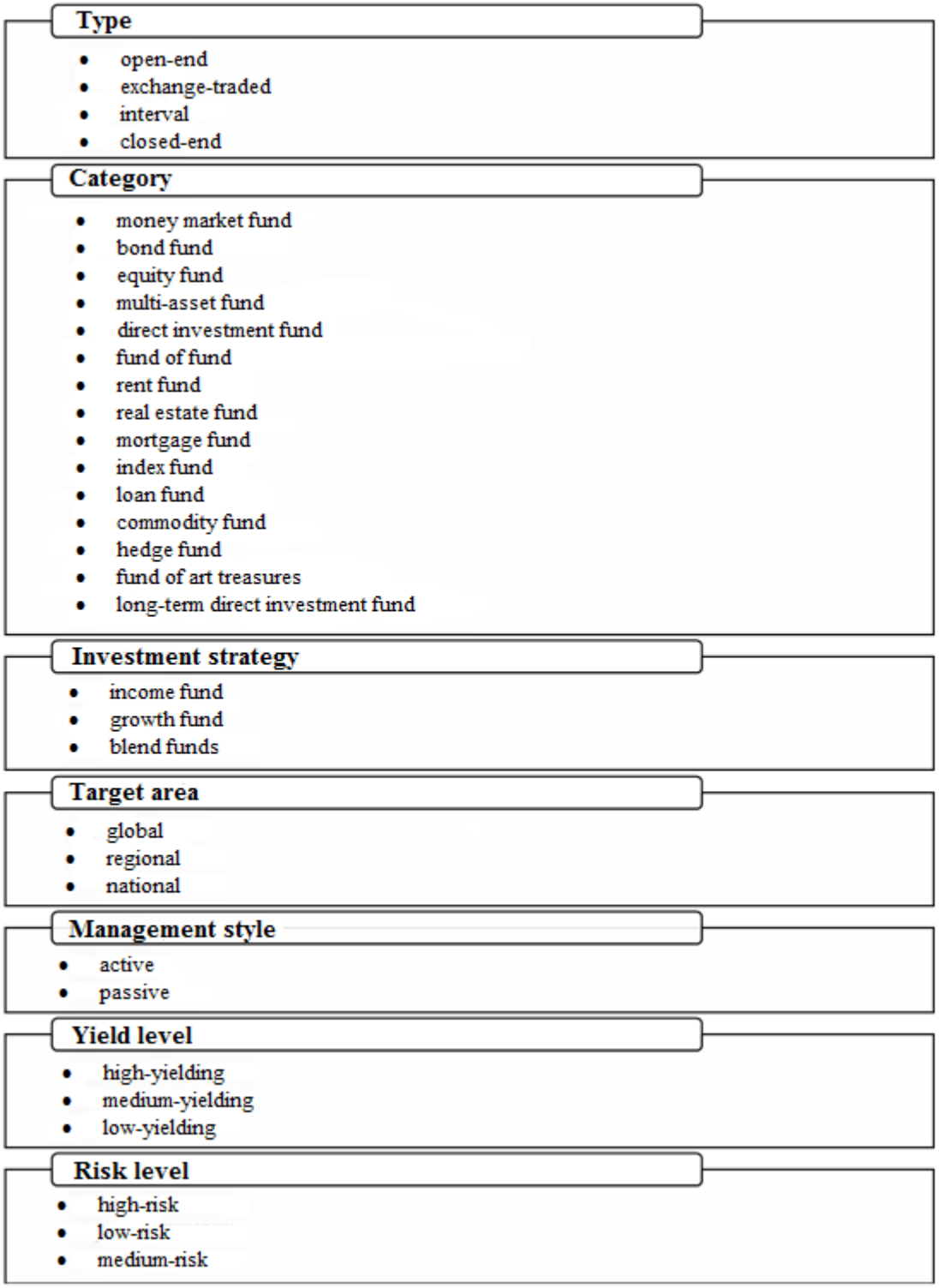



**Figure 1:** Classification of mutual funds.

Source: prepared by the authors.

It should be noted that the investment fund criteria, such as ‘type’ and ‘category’ given in Figure 1 comply with the adopted legislative acts of the Russian Federation. Moreover, the criterion ‘type’ only applies to mutual funds that correspond to contractual funds relating to international practice. “At the current stage of economic development, mutual funds are a very balanced investment vehicle in the stock market for a wide range of investors. Mutual funds are popular due to the fact that they allow small investors to invest their idle funds in profitable facilities that are not available to individual investors” [8].

Pursuant to the Federal Law of the Russian Federation “On Investment Funds”, there are open-end, exchange-traded, interval and closed-end mutual funds [5].

If an owner of investment units is entitled on any working day to call on a management company either to redeem his/her investment units in full, and thus terminate the mutual fund trust management agreement or redeem his/her investment units in part, this type of mutual fund is considered open-end.

If an owner of investment units is entitled on any working day to call on a person authorized by the management company either to redeem his/her investment units in full, and thus terminate the mutual fund trust management agreement or redeem his/her investment units in part; and if he/she is entitled to sell the investment units at the stock exchange specified in the guidelines for mutual fund trust management; and if an authorized person is entitled, within the period set forth in the trust management guidelines, to call on a management company to redeem his/her investment units in full or in part, this type of mutual fund is considered exchange-traded.

If an owner of investment units is entitled, within the period set forth in the trust management guidelines, to call on a management company either to redeem his/her investment units in full, and thus terminate the trust management agreement or redeem his/her investment units in part, this type of mutual fund is considered interval.

If an owner of investment units is not entitled to call on a management company to terminate the mutual fund trust management agreement prior to its expiration, this type of mutual fund is considered closed-end.

The most suitable funds for small investors who are theoretically supposed to constitute an overwhelming majority of the investment fund market participants are open-end and exchange-traded mutual funds being highly liquid, and moreover, relatively high-yielding. For example, the yield of Russian Standard-Gold investment fund since the beginning of 2016 has amounted to 20.89% [4].

The next classification attribute ‘investment fund category’ is also reflected in the Russian legislation [9,10]. There are 16 investment fund categories: (1) money market fund; (2) bond fund; (3) equity fund; (4) multi-asset fund; (5) direct investment fund; (6)

venture capital fund; (7) fund of funds; (8) rent fund; (9) real estate fund; (10) mortgage fund; (11) index fund (index to be specified); (12) loan fund; (13) commodity fund; (14) hedge fund; (15) fund of art treasures; (16) long-term direct investment fund.

Each of the above specified investment fund categories involves earning a return through various sources (investing in various entities) and is targeted for a certain group of investors. This group is very broad in respect of some investment funds, e.g., equity funds or multi-asset funds; investments in funds like these can attract different sectors of society (from small investors to individuals with significant capital). Some investment fund categories, e.g., 'direct investment fund', 'loan fund', etc., attract just certain eligible investors ready to face significant risks and make long-term investments. There are investment funds with an extremely limited range of potential investors. The fund of art treasures can refer to such investment funds. Besides, the investment funds with a limited range of investors may include index funds that mainly attract small investors who are not the investment market experts. The dynamics of estimated changes in the value of the investment units of such funds can be tracked by means of stock index; the related data is publicly available, and in most cases it is available online (or in terms of the minimum time lag). This significantly saves time and doesn't require any special knowledge. However, in practice this doesn't allow "outperforming" the market and earning a high return on investments. Despite differences between potential investors, any investment fund category is aimed at making money for investors.

In general, the composition of asset of most investment fund categories may include the following property (with regard to certain restrictions) [10]:

- Funds, including foreign currencies, on accounts and deposit accounts in credit institutions;
- Debt instruments;
- Shares in Russian and foreign joint-stock companies;
- Stakes in authorized capitals of Russian limited liability companies;
- Shares of joint-stock investment funds and investment units of mutual funds;
- Property rights provided for in option agreements (contracts) and futures contracts, whose underlying assets are interest rates;
- Property rights provided for in option agreements (contracts), whose underlying assets are futures contracts, whose underlying assets are interest rates;

Each investment fund category also has its core investee (Table 1).
Investment funds can be classified according to investment strategies. Therefore, they are divided into:

- Income funds focusing on the receipt of regular payments. Assets normally include mainly government or corporate bonds, as well as preferred shares;
- Growth funds focus on an increase in cost of investments. Most frequently, equities with different rates of return and risk levels are used as assets;
- Multi-asset funds are the funds that pursue two aims, namely both the receipt of regular payments and the cost increase. The composition of such investment funds'

assets can be very diverse.

**Table 1**: Core investees.

| **Mutual fund category** | **Core investee** |
|---|---|
| Money market fund | Currency |
| Bond fund | Bonds |
| Equity fund | Equities |
| Multi-asset fund | Currencies, equities, bonds |
| Direct investment fund | Shares in Russian joint-stock companies, stakes in Russian limited liability companies. |
| Venture capital fund | Shares in Russian joint-stock companies, stakes in Russian limited liability companies engaged in the innovation industry. |
| Fund of funds | Mutual fund units with regard to certain restrictions |
| Rent fund | Real estate and lease rights to real estate |
| Real estate fund | Real estate, property rights provided for in real estate shared construction agreements |
| Mortgage fund | Mortgage-backed securities, mortgages |
| Index fund (index to be specified) | Securities to calculate a certain index |
| Loan fund | Cash claims under credit agreements or loan agreements, pledge property (property rights) |
| Commodity fund | Precious metals, property rights provided for in option agreements (contracts) and futures contracts, whose underlying assets are exchange-traded commodities, and property rights provided for in option agreements (contracts), whose underlying assets are futures contracts, whose underlying assets are exchange-traded commodities |
| Hedge fund | Currencies, stocks, bonds, precious metals, shares of joint-stock investment funds and investment units of mutual funds with some exceptions, property rights provided for in option agreements (contracts) and futures contracts, whose underlying assets are exchange-traded commodities, and property rights provided for in option agreements (contracts), whose underlying assets are futures contracts, whose underlying assets are exchange-traded commodities |
| Fund of art treasures | Art treasures |
| Long-term direct investment fund | Shares in Russian joint-stock companies, stakes in Russian and foreign limited liability companies. |

Source: prepared by the authors.

Investment funds can be classified by their target area. Based on the geographic attribute, the following types of funds are distinguished:

- Global investment funds that invest in assets of all (numerous) countries;
- Regional investment funds that invest in assets within the framework of a particular region, e.g., the Asia-Pacific Region; and
- National investment funds that invest only in a particular country;

“Recently, closer attention is being paid to the management efficiency problem. This trend can be explained by objective factors and processes taking place both in the society as a whole and in certain society’s activities. The main attention is being paid to the factors of scientific and technological progress and to the exacerbation of economic and social problems.” [9].

It is a common practice to divide investment funds into active and passive ones according to the management style. If an investment fund is active, its management company continuously re-forms the investment portfolio replacing some assets with others. An active management style implies tracking and buying high-return (mostly undervalued) securities and selling inefficient assets as soon as possible. Acting in compliance with the active management style an investment fund’s management company aims to “outperform” the market, i.e., to earn a yield higher than the market one at a certain risk level. If a management company does not set a goal to earn a higher yield than the average yield offered by the market for a target risk level, such investment fund is considered passive. In compliance with the passive management style, a management company creates a well diversified investment portfolio from the very beginning and does not transform it for a long period of time. Thus, for example, under the general rising market trend, temporary falls in the asset value are mitigated. The passive management style is characterized by low commission expenses charged by a management company, which, all other things being equal, is beneficial to shareholders. It should be noted, however, that the passive management of property constituting the investment fund is most likely not to provide the shareholders with a high yield. Which style of the investment fund management is chosen depends largely on a fund category. For example, index investment funds implicate the passive management style that involves transformation of the composition and structure of assets predominantly following the change in the index components.

Investment funds are divided into three types according to the yield, viz.:

- High-yielding;
- Medium-yielding; and
- Low-yielding.

The risk level is also considered to be a classification attribute. From this point of view, investment funds are divided into high-, medium-, and low-risk funds.

It should be noted that the classification by yield and risk is subjective. It is impossible to unambiguously identify the type of an investment fund according to the above attributes.

Within the framework of the above classification of the investment funds, the basic and most significant attributes have been studied. It can be generally suggested that the options for an investor in the collective investment market are sufficiently large due to the available variety of investment funds.

## The system of indicators of the investment fund market as an indicator of socio-economic development (in the context of Russia)

Observations and measurements of the characteristics of the Russian investment fund market allow for the creation of the system of indicative ratios of the country's socio-economic development (as applied to Russia):

(1) Number of open-end mutual funds;
(2) Net asset value of open-end mutual funds; and
(3) Capital inflow (outflow) into open-end mutual funds.

The first ratio, viz. the number of open-end mutual funds, has been considered more thoroughly in this paper. The open-end mutual fund is a type of investment fund that is the most convenient one for small investors due to the available 'quick sale' of an investment unit and outperformance of bank deposit rates, as well as the clear structure of the fund assets. It is the positive dynamics of the system of the performance indicators of open-end mutual funds that can be considered as an indicator of the development of the economy and society since other types of investment funds such as interval and closed-end funds do not possess similar liquidity that is an important characteristic for small investors. The exchange-traded mutual funds can be recognized as absolutely liquid funds; however, according to the official information of the Central Bank of the Russian Federation, a megaregulator in the collective investment market as well, no funds of this type have been registered in Russia [11-13].

According to the information provided by the National League of Management Companies, 1,438 mutual funds have been registered in Russia thus far; 72% of them are closed-end mutual funds, 25% are open-end funds, and 3% are interval funds (http://www.nlu.ru/stat-count_pifs.htm). On the one hand, such distribution is quite explicable since the Russian legislation imposes restrictions on the creation of funds of certain categories, viz. open-end funds or interval funds. The closed-end investment funds are capable of earning a higher yield to the shareholders; however, a higher risk level and a lower liquidity ratio are typical for them. The distribution of mutual investment funds prevalent in the Russian market shows that institutional and professional investors are still the most active ones, while the funds of broad groups of the population are not actively involved in the investment process.

It is sensible to study the structure of the open-end mutual fund market with respect to the fund categories, since they exhibit the core investee. The total number of open-end mutual funds registered in the Russian market is 352; the equity funds (35%) play the leading role, then the multi-asset funds (22%) follow, and the group of the three leaders

(20%) is completed by the bond funds [12]. The above categories of investment funds are the first categories to enter the market not only in Russia but also worldwide.

The equity investment funds hold the leading position among open-end mutual funds not only due to their sufficiently high yield but also owing to the fact that equities are one of the most known financial tools that is relatively understandable to Russian investors. The same can be said about the open-end bond funds with the difference that the yield of such funds is somewhat lower than that of the equity funds. Thus, Sberbank - Natural Resources Fund managed by Sberbank Asset Management Company has shown the highest yield among equity funds since the beginning of 2016 (+12.45%) [4], while the highest yield (+6.2%) among the bond funds was earned by Otkritie - Eurobonds Fund managed by OTKRITIE Management Company for the same period of time [4].

It should be noted that the bond funds meet the requirements of small conservative investors who are eager to save their capital rather than to augment it.

The money market funds account for the lowest share of 3% among all open-end mutual funds in the Russian market [12]. This can be explained by an extremely low rate of return they have been exhibiting in recent years. Currently, owing to high volatility of the currency market, the situation has changed; a chance to “outperform” the market has arisen, even though investment risks have significantly increased. However, the Russian investment fund market has not yet responded to these changes by increasing the number of funds of the relevant category. It will probably not occur, since the investors of the money market funds are mostly conservative investors to whom the increasing investment risks are an important deterrent to investment of the capital, which means that the demand for the money market funds will not increase even provided that their potential yield increases.

The multi-asset mutual funds have the features of the money market, equity, and bond funds and, consequently, can attract completely different groups of investors. It is due to this reason that the funds of this category take the second place in the structure of the Russian mutual fund market.

The share of the index investment funds in the structure of the Russian mutual fund market (6%) is slightly above the share of the money market funds (6%) [12]. It can be suggested that the investors avoid the index investment funds for no reason. On the one hand, the above funds afford an opportunity for earning a profit approximately equal to the market rate of return that is usually slightly below the market rate; however, on the other hand, they are easy to manage and the investor can easily analyze the information about the approximate rate of return of an investment fund tracking the data on market fluctuations of the index their fund is pegged to. In fact, the index investment funds apply the index-linked management strategy.

The share of the assets of the funds in the structure of the Russian mutual fund market is 14% [12]. The structure of the assets of the investment fund of the category under

consideration can be diversified as much as possible, which, all other things being equal, reduces the investment risks and being effectively managed, such funds can ensure the yield even higher than the average yield of the mutual funds. The investments in the assets of funds are probably not in demand in the market because they do not serve precise target purposes that are clear to purposes of individuals, i.e., small investors who are not experts in the investment market.

In general, the number of open-end mutual funds can be an indicative ratio of the country's socio-economic development, since first, the open-end funds are attractive to small unprofessional investors who have no special qualification and to whom the investment activity is only a source of an extra income rather than a source of the primary income, and second, open-end mutual funds of all categories can be of potential interest to investors.

In conclusion, it is sensible to consider the number of the open-end mutual funds registered in the Russian collective investment market (Figure 2).

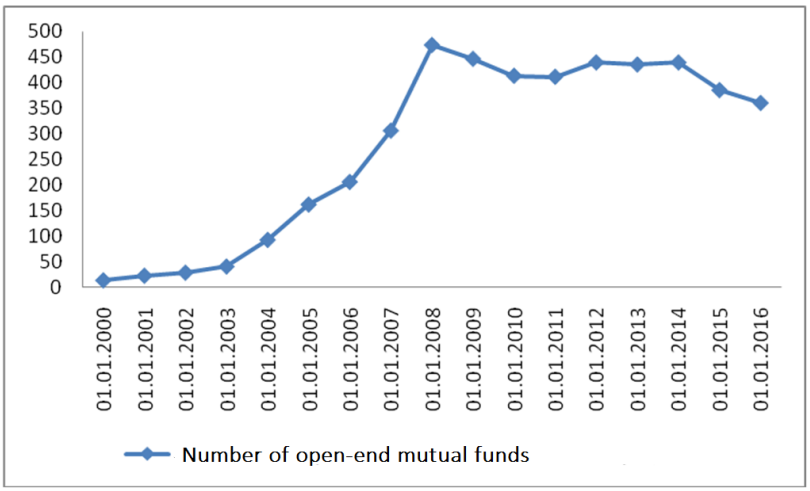



**Figure 2:** Dynamics of the number of the open-end mutual funds in the Russian market.

Source: prepared by the authors according to the data of the National League of Management Companies.

All other things being equal, a growth in the indicator, i.e., an increase in the number of the open-end mutual funds registered in the market is a favorable trend that allows us to speak about the increasing financial competence of the population, the living standards, incomes, and the level of the overall socio-economic development. If there is a tendency towards a reduction in the indicator, the prospects of the socio-economic development become unfavorable.

Similar to the previous upsurge in the economic and financial crisis, the number of the open-end investment funds is decreasing.

## DISCUSSION

Despite the disadvantages inherent in the investment funds, these collective investment institutions have far more advantages that make them attractive to small investors. Certainly, unguaranteed incomes and investment risks, which are higher compared to the bank deposits, do not suit some very conservative investors; nevertheless, the investment funds generally not only have the right to exist in the investment market, but also can occupy even a stronger position there in future. In Russia, this process should be particularly facilitated by programs extending the financial competence of the population as well as the geopolitical and economic stabilization.

Currently, almost any investor can choose the investment fund that will best comply to their target goals, as there is a diversity of the investment funds in the collective investment market. Nevertheless, some investment activity sectors have not been started thus far. For example, the interaction between the collective investment and the human capital investment is challenging.

The situation in the Russian open-end mutual fund market is ambiguous. On the one hand, the yield indicated by some investment funds is higher than the key rate, the rate of inflation, and the bank deposit rates; on the other hand, however, the indicators of the number of the mutual funds that operate in the open-end mutual fund market are decreasing, which may be a sign of the decreasing investment demand from small investors, in the first place.

## CONCLUSION

The analysis indicates the possibility of cross-sectoral approach when considering investment funds' capacity. Amid the global food security problem and general financial volatility of national economies, these funds play a special role for economic sustainability of the most important sectors in terms of economies. In particular, in view of the fact that agrarian relations throughout the world originated earlier than financial relations and even earlier than collective investment relations, in the investment fund market there are much more issues to be solved and comprehensively studied, "In spite of the fact that the origins of the scientific economic analysis and the development of economic theory as a science originally have been implemented in the empirical basis of the agrarian economy and, consequently, an impressive research background on a theory of agrarian relations has been accumulated, issues on the modern transformation of agrarian relations in the economy of the RF still remain controversial and disputable" [11]. One of such issues has been considered by the authors in this paper.

In order to ensure that the authors' system of indicators of the investment fund market is recognized as an indicator of the social and economic life of society, this market should be attractive to investors. In this paper, the authors have identified and summarized the

main advantages and disadvantages of investment funds. It can be generally stated that investment funds have a number of advantages that are attractive to investors and individuals with low capital and without professional education. Thus, the proposed system of indicators of the investment fund market can be an indicator of the country's socio-economic development.

The rapid development of the financial market requires the improvement of already existing financial institutions and the emergence of new ones. The investment fund market is no exception. Sometimes it is hard to gain insight into the diversity of investment funds and to choose the one that best meets the investor needs. The classification of investment funds, and, in particular, mutual funds, organizes their types and makes it easier for investors to make effective investment decisions.

In the paper, the classification of investment funds has been developed and introduced according to the following criteria: type, category, investment strategy, target area, management style, rate of return, risk level. The study of investment funds in terms of multiple classification attributes makes it possible to fully demonstrate their performance by their differences. The breadth of investors' choice due to the diversity of investment funds in the financial market shows that the proposed system of indicators of the investment fund market can be recognized as an indicator of the country's socio-economic development.

The authors of the paper suggested the following indicative ratios of the country's socio-economic development in relation to the investment fund market:

(1) Number of open-end mutual funds;
(2) Net asset value of open-end mutual funds; and
(3) Capital inflow (outflow) into open-end mutual funds.

The analysis of the first indicative ratio 'number of open-end mutual funds' has been performed. The results of the analysis show the economic and social underdevelopment in Russia. Tendencies towards a reduction in the indicative ratio are also negative: there is a reduction in the number of the open-end mutual funds registered in the Russian collective investment market. This makes it impossible to do the optimistic forecast.

The hypothesis introduced by the authors at the beginning of this paper has been confirmed. Certainly, the specified criteria verifying the appropriateness of assigning specific indicators of the investment fund market to the indicators of the country's socio-economic development are not comprehensive; moreover, the provided list of indicative ratios is not final. In future, the authors are going to analyze other indicative ratios of socio-economic development based on the investment fund market and to study the relationship between the macroeconomic performance and the investment fund market whether confirming or rejecting a hypothesis of their high correlative dependence.

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