

THE RUSSIAN ETF¹ ANOMALY AND ITS POSSIBLE REASONS²

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In this paper, I document “the Russian ETF anomaly”. Since 2014-2015, most Russian funds of funds have been investing only in one preselected western ETF. During the same period, this group of funds have raised more money than any other funds’ category in Russia. However, if an investor buys shares of an ETF via a mutual fund rather than doing it directly she overpays up to 36% of the invested capital over a 10-year horizon. Additionally, the paper provides a brief overview of the possible reasons for this, presumable, anomalous, suboptimal index investing behavior.

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Key words: *Exchange Traded Funds (ETF), the Russian ETF anomaly, non-optimal index investing, index mutual funds, behavioral finance*

¹ ETF (Exchange-Traded Funds). The main difference from mutual funds: shares of an ETF are traded on a stock exchange like shares of any other listed company. Mutual funds’ unit one may buy only once per day.

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Introduction

Exchange-traded funds (ETF) have reached impressive presents in many markets: the annual trade volume in US is 16 trln. USD, in China 518 bln. USD. At the same time, Russia is still among the countries where the annual volume of domestic ETF trades is below one million USD. The country follows Philippines, Malaysia, Indonesia, Mauritius and Abu-Dhabi where annual trading volume is above one million USD but less than ten.⁴

On the other hand, foreign exchange-traded funds have become popular investment target among the Russian mutual fund industry. Unlike other countries, where people invest in ETFs directly, Russian investors do it via domestic mutual funds (MF). I did not find similar practice in other countries.

The MF “Sberbank Biotechnology”, which invests only in iShares Nasdaq Biotechnology ETF, was created at the end of May 2015. In August of the same year, it joined the list of the five largest Russian MFs (Tab. 2). The success story of the next largest fund, “Raiffeisen USA”, which invests only in SPDR S&P 500 ETF TRUST, is also exceptional. It doubled its Net Asset Value (NAV) during the winter 2014-2015. During the last two years (2014-2015), the group “funds of funds” has raised more money than any other category of funds in Russia (Tab. 1). During the same period, many Russian funds of funds changed their investment strategy completely: since 2014-2015, the majority of them have been investing only in one preselected western ETF out of the world top 100 list (Appendx 1).

Table 1. Open-end MFs netflow, (mln. rubles⁵)

MF category	2014 + 2015	2014	2015
Equity	-12 561	-6 973	-5 588
Bonds	-30 278	-33 985	3 707
Mixed	4 942	1 086	3 856
Money market	- 444	597	-1 041
Index	-1 358	-1 116	-242
Fund of funds	6 176	5 794	382

Sources : National League of Management Companies, <http://www.nlu.ru/pifs-privlechenie.html>, February, 2016

⁴ Deutsche Bank ETF industry annual report 2014.

⁵ Ruble/USD = 70 (12.12.2015).

Table 2. Funds of funds, investing in ETFs (TOP 100 Russian open-end MF by NAV, mln. USD⁶)

Mutual Fund	NAV of the MF	Ranking (NAV) among Russian MFs	The fund invests in	Index tracked by the ETF	NAV of the ETF	Ranking (NAV) among all countries ETFs
Sberbank Biotechnology	60,22	5	iShares Nasdaq Biotechnology ETF	Nasdaq Biotechnology Index	7 540,74	59
Raiffeisen USA	56,33	6	SPDR S&P 500 TRUST ⁷	S & P 500	171 932,33	1
Sberbank USA	13,18	32	SPDR S&P 500 TRUST	S & P 500	171 932,33	1
Sberbank emerging markets	9,93	37	Vanguard emerging market ETF	FTSE Emerging Markets Index	51 300,00	7
Sberbank Europe	4,60	67	iShares EURO Stoxx 50 ETF	EURO Stoxx 50	5 906,93	73
Raiffeisen Europe	3,75	80	iShares MSCI EMU ETF	MSCI EMU	13 444 73	36

Sources : created by the author based on National League of Management Companies, <http://www.nlu.ru/pifs-scha.htm>, December 2015; ETF.com December 2015.

My calculations in section 1 demonstrate that investing for 10 years in an ETF via a Russian fund of funds the investor pays up to 36% of invested capital more (in commission) than, if she invests in the same ETF directly (Tab. 3).

Table 3. Extra payment as percent of the invested capital due to investing in an ETF via a MF rather than directly

⁶ Ruble/USD = 70 (12.12.2015). USD is the currency in this table as there are western ETF NAV in USD.

⁷ The largest ETF and the most traded security (5.32 trln. USD in 2014). Deutsche Bank ETF industry annual report 2014.

Investment period, years	1	5	10
Extra payments, % of the invested capital	4-7%	14-18%	27-36%

Source: Section 1

Besides documenting this, presumably anomalous, behavior of Russian investors (“the Russian ETF anomaly”), this paper raises the question of what might be the reasons why individual investor accept such drastic losses. As there are no exact data on how long the typical Russian investor holds MF units before selling them back, we need to make an estimate. If we assume that all investors hold the MF units for one year and we calculate 5% of 17 bln. (NAV of funds of funds)⁸ we obtain 850 mln. rubles that were paid in unnecessary commissions. It is not comparable⁹ with 270 mln. USD that American investors overpaid in 2007 for investing in index MFs with higher commission (Choi et al., 2010) in absolute terms but it is several times larger, if we consider the proportion of MF industry in relation to other instruments (Tab. 4 and 5) and to GDP. Russia is 64th out of 67 regarding the proportion of MF industry to the country’s GDP (Abramov and Akshenseva, 2015). In Tables 4 and 5, I apply the data from the end 2013. Starting from 2014, we should include the funds of funds in the statistics of index investing in Russia. However, the research in progress (Tarassov, 2016b) demonstrates that Russian investors, investing in foreign ETFs via Russian MFs, are not completely aware that they invest in an index; therefore, their inclusion would be not objective. On the other hand, even if we add the funds of funds to this table, it would not change the proportion of passive investments to the bank deposits dramatically.

Table 4. NAV of index funds*, NAV of all open-end MFs, amount on the saving accounts (individual investors), Russia, bln. Rubles (31.12.2013)

Financial instrument	NAV
MF index*	3
MF open-end	113
Bank deposits, in rubles	15 197
Bank deposits, in foreign currency (in rubles)	5 994

*Prior to March 2016, there were no ETF on Russian equity market.

Sources: created by the author based on data of National League of Management Companies and Russian Central Bank.

⁸ <http://www.nlu.ru/pifs-scha.htm?tab=tab1&pageNo=0&s=1&b=0&searchdate=31.12.2015&t=%CE&c=all>

⁹ In this paper, 1 USD is 70 rubles (12.12.2016, Central Bank rate).

Table 5. NAV of index fund (MF and ETF*) and that of all open-end MF and saving account (individual investors), USA, trln. USD (31.12.2013)

Financial Instruments	NAV
MF index	1,73
ETF*	1,68
MF open-end	11,54
Saving accounts	7,40

**99% of ETF (weighted) passively track a preselected index¹⁰*

Sources: created by the author based on data of the Federal Reserves, Investment Company Institute (factbook 2015), and Deutsche Bank (ETF annual report 2014).

Apparently, the Russian ETF anomaly is another example of the non-optimal index investing phenomenon. During the last 20 years, the literature emerged investigating why an individual investor invests in index funds with higher commission while there are mutual funds tracking the same index taking much lower commissions (Hortacsu and Syverson (2004), Elton, Gruber and Busse (2004), Collins (2005), Bergstresser, Chalmers and Tufano, (2009), Choi, Laibson and Madrian, (2010)).

Hortacsu and Syverson (2004) found that the main reason for that phenomenon is search costs. Collins (2005) argued that index funds are not commodity products because funds provide various additional services for the investors. Bergstresser et al. (2009) found a positive correlation between new money inflow and the level of sales compensation.

However, Choi et al. (2010) demonstrated that investors do not recognize that index mutual funds are commodity products even if search costs, any services and the direct influence of a sales person are excluded. The level of the participants' financial literacy in this study was far above that of the average American investor. Additionally, one of the groups received the description of the index funds' working principles. Despite this support, most participants still chose the index funds with high commissions.

The problem of investing in an index fund with higher commission instead of choosing those with low fees has not been discussed in Russia yet. To the best of my knowledge, this is the first paper investigating into this type of irrational behavior in this country.

¹⁰ Deutsche Bank ETF industry annual report 2014.

The article has the following structure. The first section presents the model and the calculations that demonstrate the Russian ETF anomaly. The second section discusses its possible reasons and the plans for further research. The ETF history, working mechanism, academic literature review and research perspectives may be found in Tarassov (2016c).

1. The model and the calculation

The model below compares the costs of investing in ETF via a mutual fund or directly. All possible costs that the investor bears both when she invests via a mutual fund and directly are not included in the model, it takes into account only the costs that differ. This model is similar to (Kostovetsky, 2003) that compares the costs of investing in an index via a mutual fund or via an ETF.

The following costs are identical for investing in an ETF via a mutual fund or directly:

- The level of the taxes. A Russian based investor pays the same capital gain and dividend taxes on revenues from any kind of securities¹¹;
- Transfer costs. They are zero if money is put directly into the account of either a management company or a discount broker (for investing in any securities directly);
- The ETF expenses itself (management fee, spread, premium, custody etc).

Regarding the liquidity, it is obvious that the liquidity level of a TOP 100 world ETF is not lower than that of the Russian based mutual fund, investing in that ETF.

I assume that management companies of Russian funds transfer all the money received from their customers immediately in the ETF. Therefore, we do not need to compare the performance of the ETF itself and that of the mutual fund investing in this ETF.

In the model, I also ignore the possible mutual fund unit's price fluctuation after an investor has asked the fund to buy her units back. Leading Russian management companies reserve up to 10 working days to pay their clients after they decided to sell their units.

Based on these simplifications I used the following model:

$$X = Y/S; \tag{1}$$

X is the *amount* (a share of the capital invested) that an investor overpays if she invests in ETF via a mutual fund rather than directly.

¹¹ The taxes legislation on the bond coupon's revenues have been changing since 2014.

Y is the difference between expenses using mutual funds and a discount broker account for investing in the same ETF,

$$Y = MFc - Bc; \quad (2)$$

MFc (Mutual Fund cost) are the costs of investing via mutual funds,

$$MFc = Fc + Vd + Vs; \quad (3)$$

Fc (Fixed cost) are management fees, custody, audit and other fund's expenditures,

Vd (variable cost days) are costs, depending how many days an investor hold the fund's units,

Vs (variable sum) are costs, depending on the amount of the capital invested;

Bc (broker cost) are costs of owning a discount broker account and trading securities via it;

S is the amount of the capital invested.

The calculation. Details on the data and the calculation are given in Appendix 2; here I report the main insights. Data I use evaluating the costs come from the funds of the leaders of that market, management companies of Sberbank and Raiffeisenbank.¹² (Tab. 6, 7).

Table 6. Costs of investing in the ETFs via the MFs as of March 2016. Example: invested capital 3 mln. rubles.

Expences, %	Raiffeisenbank		Sberbank		Sberbank's mutual fund selling via Citibank ¹³	
	1	3 + 1 day	1	3 + 1 day	1	3 + 1 day
<i>Annual (Fc), %</i>						
Management fees	2.4	7.2	2.0	6.0	2.0	6.0
Custody/audit	0.6	1.8	0.2	0.6	0.2	0.6
Other expenditure	0.6	1.8	0.5	1.5	0.5	1.5
<i>One time fee, %</i>						
>3 mln. rubles (Vs)	0	0	0.5	0.5	1.25	1.25

¹² National League of Management Companies. <http://www.nlu.ru/pifs-scha.htm?tab=tab1&pageNo=0&s=1&b=0&searchdate=31.12.2015&t=all&c=%D4>

¹³ A rare case of selling mutual funds via other bank.

>181; < 732 days (<i>Vd</i>)	2.0		1.0		3.0	
>1095 (<i>Vd</i>)		0		0		3.0
Total, % of the capital invested	5.6	10.8	4.2	8.6	6.95	12.25
Total, rubles (000s)	168	324	126	258	209	368

Source: created by the author based on

<http://sberbank.ru/ru/person/sbpremier/products/invest/pif;>

http://www.raiffeisen.ru/retail/deposit_investing/funds/

Table 7. Additional information about MFs' expenses (Vs+Vd), as percent of the capital invested, March 2016

Invested period (days)	<181	<732	<1095	>1095
Raiffeisenbank				
>3 mln. rubles ¹⁴	2	2	1	0
Sberbank				
>3 mln. rubles	2.5	1.5	0.5	0.5
<3 mln. rubles	3	2	1	1
Citibank				
<1 mln. rubles	4.5	4.5	4.5	4.5
<5 mln. rubles	4.25	4.25	4.25	4.25
>5 mln. rubles	4	4	4	4

Source: created by the author based on

<http://sberbank.ru/ru/person/sbpremier/products/invest/pif;>

http://www.raiffeisen.ru/retail/deposit_investing/funds/

Expenses of investing via a discount broker account (Bc) = around 0.1- 0.2% in general. While one may need to have at least 10 000 USD in order to open an account within a western broker, the Russian brokers do not require a minimum amount which might be considered as restrictive for the typical domestic individual investor¹⁵.

¹⁴ The minimum amount to invest in Raiffeisenbank mutual funds is 3 mln. rubles

¹⁵ Discount brokers: Aton, Openbank, BCS, Charles Schwab and Saxobank

The calculation result: As shown in Appendix 2 (and partly in Table 6 if subtract Bc), the overpaying sum, X ranges from 4% to 7% of capital invested for a one-year investment, from 14% to 18% for a five-year investment, and from 27% to 36% for a ten-year investment.

2. Discussion of possible reasons for the Russian ETF anomaly

In order to come up with plausible hypotheses for the further research into the reasons for the non-optimal index-investing phenomenon in general, and the reasons for the Russian ETF anomaly in particular, I conducted several individual interviews with experts and one seminar. Among the experts were four investors (high net worth individuals (HNWI)), one cognitive psychology professor, and six finance and economics professors as well as four PhD candidates with extensive financial working experience.

Based on insight of these interviews and discussions held in National Research University Higher School of Economics (HSE), I formulated six hypotheses for the possible reasons why Russian investors buy ETFs via mutual funds rather than directly:

1. Search costs;
2. Trust;
3. MFs have additional services;
4. The interdiction of investing in foreign stock if not obtained a qualified investor status (in Russia since 2015);
5. People's predisposition to categorical thinking / stereotyping;
6. Low level of the index investing culture.

Hypothesis 1. Search costs. Hortacsu and Syverson (2004) argued that the main reason for non-optimal behavior by index investing is search costs. However, the observed period in this research lasted up to 2000. Since then, internet searching has become much more popular. This important change has reduced search costs. In Russia, if we write a search question in any of the search engines like google the first results show the contacts of highly reputable organization that propose to buy ETFs directly. Additionally, all major banks that offer mutual funds investing in ETFs offer also discount broker services which provide investors with possibilities to buy these ETFs directly. It is a separate question whether we include in search costs the mental energy to ask what an ETF is and what are the ways to invest in it after having received an offer to invest in a MF that invests in an ETF. However, even if the search costs are an important reason for the existence of the Russian ETF anomaly, there are proofs that many people make irrational choices by index investing even when there are no search costs at all (Choi et al., 2010).

Hypothesis 2. This hypothesis suggests that because of regular financial storms in the Russian financial sector, people prefer to trust their money only to an organization with a high reputation. However, the experts could not find any arguments after having understood that an investor may buy an ETF directly using the same financial institution as when she buys this ETF via a mutual fund.

Hypothesis 3. Mutual funds provide additional service for their clients. This hypothesis is in line with Collins (2005) who argues that index funds are not commodity products because of the different level of additional services they provide. However, Elton et al. (2004) show that there is no correlation between new money inflow and the level of the funds' services.

In Russia, if an individual decides to invest in any foreign assets she has to make an additional tax declaration about foreign assets. Buying mutual funds units she does not need to do so as the mutual fund units are Russian assets. Additionally, mutual funds are tax agents themselves and take care of the client's taxes by calculating and paying them directly to the authorities. The hypothesis says: the clients are ready to pay higher commissions to a mutual fund rather than invest directly in an ETF directly because they prefer to avoid any additional contact with tax authorities. In a survey of investors (as a part of research in progress (Tarassov, 2016b) , the participants were asked whether "by investing for 5 years in a foreign ETF they would prefer to do it directly or via a Russian mutual fund that would take 150,000 from 1,000,000 more in commission. Investing via a mutual fund people avoid any contacts with tax authority regarding declaration of foreign assets". No one answered that she prefers investing via a mutual fund.

For international diversification, the majority of Russian residents use foreign currency bank deposits (Tab. 8).

Table 8. Russia. Household's bank deposits and the funds of funds NVA (the largest international diversification alternative for investing in foreign securities via a Russian based financial institution), (mln. rubles).

Year	2012	2013	2014	2015
Ruble bank deposits	10 956 237	13 236 389	13 784 044	15 197 829
Foreign currency bank deposits (in Rubles)	2 478 000	3 024 405	4 303 032	5 994 987
Funds of funds (NVA)	2 560	2 734	14 272	17 129

Sources: created by the author based on data of Russian Central Bank and National League of Management Companies, January 2016.

Hypothesis 4. The Russian ETF anomaly exists due to the foreign assets investment interdiction for non-qualified investors (since 2015). This reason has also limited validity as one of the market leaders, Raiffeisenbank, starts selling mutual fund units from 3 mln. rubles. It is obvious that most people who would like to invest 3 mln. rubles in mutual funds have another 3 mln. in other financial assets – enough to receive the status of qualified investor.

Hypothesis 5. It is possible that the main reason for the non-optimal index-investing phenomenon, in general, is people's predisposition to categorical thinking or stereotyping: an individual investor puts these funds into the same category as actively managed funds so the commission of 2-3% does not raise any questions. Research into testing this hypothesis is in final stage (Tarassov, 2016b).

Hypothesis 6. One phrase, used during the interviews, “people do not know what the ETF means and prefer to invest in everything using the old methods – a mutual fund”, triggered the idea for research into index investing culture. Taking into consideration the relatively substantial losses of Russian investors, I believe that it is important to go further in investigating its possible reasons. I developed a hypothesis that it is possible that the reason for the extreme outcomes of the non-optimal index-investing phenomenon in transition markets (e.g. Russia) lies in the low level of index investing culture. It is probable that the lower the general index investing culture in a country the more individual investors are disadvantaged. This might result in the stock market industry is underdeveloped. This research is at the initial stage in my next paper.

Two other interesting interview results might be included in further research. Two of the experts (one economics professor with a western PhD and one CEO of a large Russian company) invested their money into a Russian MF that invests further in one preselected western ETF. On the question “why”, the professor answered that he trusted the market. “It seemed to me that it was impossible that something would be wrong with the product if so many people invested already. Apparently, they analyzed it already. Overall, the market is effective. The prices of the service should be on the fair level as the market always bring them there.” In addition, the professor knew what an ETF was and bought units of the MF that invested further in the ETF consciously. He analyzed the ways to buy an ETF in the USA but did not the ways to buy it from Russia. The CEO of a large Russian company answered that he had been trusting Private Banking department of a leading foreign financial institution, based in Moscow, for more than 10 years, investing in the MFs that they had been recommending. However, he was confused by the question whether a MF takes commission when an investor buys and holds its units. On the other hand, he was aware that the bank might earn some commission when selling him the MF units. The person also admitted that he had no idea what an ETF was.

Conclusion

Despite the very low trade volume of ETFs in the Russian market, these funds have become very popular in the mutual funds industry. During the last two years (2014-2015), the funds that invest only in one preselected ETF have raised more money than any other fund category in Russia. However, if an investor buys shares of an ETF via a mutual fund rather than directly she overpays up to 36% of the invested capital for a 10-year horizon.

Trying to explain this Russian ETF anomaly, besides the standard or technical explanations for this phenomenon, namely “search costs”, “trust”, “MFs have additional services” and “the interdiction of buying foreign stock for none qualified investors”, I formulated two other hypotheses. In Tarassov (2016b), I test the hypothesis that it is possible that one reason that “helps” investors to make non-optimal choices is their predisposition to categorical thinking: individual investors put these funds of funds into the same category as actively managed funds, so the commission of 2-3% does not raises any questions.

However, as we see the scale of the losses that Russian investors bear in comparison with American based investors, we need to go further in investigating the reasons for such extreme outcome in the transition economies. Therefore, in my next research, I started to analyze a possible link between the general index-investing culture of a country and the scale of various losses of individual investors (not caused by the management failure to perform or by the stock market fluctuation), and the development of the stock market industry in a country. It is highly probable that a lower index investing culture is responsible for the non-optimal index-investing phenomenon may result in such drastic losses as the Russian ETF anomaly.

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Appendix 1. Table 9. Funds of funds, Russia (NAV descending). February 2016¹⁶

No.	Funds of funds	ETF, which is chosen by the fund to invest in
1	Sberbank Biotechnology	iShares Nasdaq Biotechnology ETF
2	Raiffeisen USA	SPDR S&P 500 ETF TRUST
3	Raiffeisen debt market developed countries	iShares 1-3 Year Credit Bond ETF
4	Sberbank USA	SPDR S&P 500 ETF TRUST
5	Sberbank Gold	Power Shares DB Gold Fund
6	Sberbank emerging markets	Vanguard emerging market ETF
7	Raiffeisen Godl	Power Shares DB Gold Fund
8	Sberbank Global debt market	iShares USD J.P. Morgan Emerging markets Bond UCITS ETF
9	Raiffeisen Europe	iShares MSCI EMU ETF
10	Sberbank Europe	iShares EURO Stoxx 50 ETF
11	Uralsib debt market developed countries	iShares iBoxx usd Inv Grade Corp BD
12	Gazprombank Gold	Power Shares DB Gold Fund
13	Gazprombank Food	Power Shares DB Agriculture Fund
14	Uralsib emerging market debt	iShares USD J.P. Morgan Emerging MRKTS
15	Russian Standard Gold	Power Shares DB Gold Fund
16	Gazprombank Oil	Power Shares DB Oil Fund
17	Promsviaz global markets	-
18	RGS – world technology	Power Shares QQQ Trust
19	BCS – international funds	-
20	TKB Gold	Power Shares DB Gold Fund
21	Openbank Gold	Power Shares DB Gold Fund
22	RGS Gold	Power Shares DB Gold Fund
23	Gazprombank emerging markets	iShares MSCI emerging markets index fund
24	GERFIN	-
25	Uralsib Gold	Power Shares DB Gold Fund

¹⁶ Created by the author based on National League of Management Companies information.
<http://www.nlu.ru/pifs-scha.htm?tab=tab1&pageNo=0&s=1&b=0&searchdate=29.02.2016&t=all&c=%D4February2016>.

26	Openbank China	iShares Large Cap ETF
27	Alfa capital Gold	-
28	Openbank internation real estate	SPDR Dow Jones Global Real Estate ETF
29	Saving management Germany	iShares MSCI Germany ETF
30	Kapital Gold	Power Shares DB Gold Fund
31	Ingostach world markets	ETF MSCI WORLD INDEX UCITS ETF
32	Openbank developed markets	iShares MSCI EAFE Index Fund
33	Saving management - Asia	iShates MSCI All countries Asia ex Japan ETF
34	Openbank USA	iShares S7P 100 Index Fund
35	Gazprombank western Europe	SPDR EURO Stoxx 50 ETF
36	Ingostrach Real Estate	Lyxor UCITS ETF FTSE EPRA/NAREIT GLOBAL DEVELOPED
37	Uralsib global real estate	SPDR Dow Jones Global Real Estate ETF
38	First fund of funds	-
39	MDM world of funds	-
40	Saving management debt developed markets	iShares iBoxx usd Inv Grade Corp BD
41	Uralsib developed markets	iShares MSCI World
42	RAB gold, silver, platinum	-
43	Openbank emerging markets	iShares MSCI Emerging Markets Index Fund
44	Uralsib global commodities	Power Shares DB Commodity Tracking Index Fund
45	Openbank commodiities	Power Shares DB Commodity Index Tracking Fund
46	OLMA USA	iShares S&P 500 Stock Index Fund
47	Uralsib emerging markets	Vanguard FTSE Emerging Markets ETF
48	OLMA Europe	iShares EURO Stoxx 50 (DE)
49	OLMA Gold	Power Shares DB Gold Fund
50	OLMA China	iShares FTSE/Xinhua China 25 Index Fund
51	LandProfint Latin America	iShares Latin America 40 ETF

Appendix 2.

Table 10. Calculation of the costs difference between investing in the same ETF via a discount broker (Br) or via a Mutual Fund (MF),

3 mln. Rubles, December 2015

Investment period (years)	0,5	1	2	3	4	5	6	7	8	9	10
Broker account (0,2%), rubles	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Via MF Sberbank, rubles	156 000	126 000	177 000	258 000	339 000	420 000	501 000	582 000	663 000	744 000	825 000
Via MF Sberbank via Citibank, rubles	208 500	208 500	289 500	370 500	451 500	532 500	613 500	694 500	775 500	856 500	937 500
Via MF Raiffeisenbank, rubles	168 000	168 000	246 000	324 000	432 000	540 000	648 000	756 000	864 000	972 000	1 080 000
Difference, Br and MF Sberbank, rubles	150 000	120 000	171 000	252 000	333 000	414 000	495 000	576 000	657 000	738 000	819 000
<i>Share (%) of the capital invested</i>	<i>5</i>	<i>4</i>	<i>6</i>	<i>8</i>	<i>11</i>	<i>14</i>	<i>17</i>	<i>19</i>	<i>22</i>	<i>25</i>	<i>27</i>
Difference, Br and Citibank, rubles	202 500	202 500	283 500	364 500	445 500	526 500	607 500	688 500	769 500	850 500	931 500
<i>Share (%) of the capital invested</i>	<i>7</i>	<i>7</i>	<i>9</i>	<i>12</i>	<i>15</i>	<i>18</i>	<i>20</i>	<i>23</i>	<i>26</i>	<i>28</i>	<i>31</i>
Difference, Br and Raiffeisen, rubles	162 000	162 000	240 000	318 000	426 000	534 000	642 000	750 000	858 000	966 000	1 074 000
<i>Share (%) of the capital invested</i>	<i>5</i>	<i>5</i>	<i>8</i>	<i>11</i>	<i>14</i>	<i>18</i>	<i>21</i>	<i>25</i>	<i>29</i>	<i>32</i>	<i>36</i>

Table 11. Expenses of investing in an ETF via the mutual funds (MF) of Sberbank, Raiffeisenbank and via the Sberbank MF buying them at Citibank, 3 mln. Rubles, December 2015

Period (years)		0,5	1	2	3	4	5	6	7	8	9	10
Sberbank	%											
<i>Total</i>		<i>156 000</i>	<i>126 000</i>	<i>177 000</i>	<i>258 000</i>	<i>339 000</i>	<i>420 000</i>	<i>501 000</i>	<i>582 000</i>	<i>663 000</i>	<i>744 000</i>	<i>825 000</i>
management	0,02	60 000	60 000	120 000	180 000	240 000	300 000	360 000	420 000	480 000	540 000	600 000
custody/audit	0,002	6 000	6 000	12 000	18 000	24 000	30 000	36 000	42 000	48 000	54 000	60 000
other exp.	0,005	15 000	15 000	30 000	45 000	60 000	75 000	90 000	105 000	120 000	135 000	150 000
<3 mln. rubles	0,01											
>3 mln. rubles	0,005	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000
<181 days	0,02	60 000										
<732 days	0,01		30 000									
>732 days	0											
Raiffeisenbank												
<i>Total</i>		<i>168 000</i>	<i>168 000</i>	<i>246 000</i>	<i>324 000</i>	<i>432 000</i>	<i>540 000</i>	<i>648 000</i>	<i>756 000</i>	<i>864 000</i>	<i>972 000</i>	<i>1 080 000</i>
management	0,024	72 000	72 000	144 000	216 000	288 000	360 000	432 000	504 000	576 000	648 000	720 000
custody/audit	0,006	18 000	18 000	36 000	54 000	72 000	90 000	108 000	126 000	144 000	162 000	180 000
other exp.	0,006	18 000	18 000	36 000	54 000	72 000	90 000	108 000	126 000	144 000	162 000	180 000
<730 days	0,02	60 000	60 000									
<1095 days	0,01			30 000								
>1095 days	0											

Citibank													
<i>Total</i>		<i>208 500</i>	<i>208 500</i>	<i>289 500</i>	<i>370 500</i>	<i>451 500</i>	<i>532 500</i>	<i>613 500</i>	<i>694 500</i>	<i>775 500</i>	<i>856 500</i>	<i>937 500</i>	
management	0,02	60 000	60 000	120 000	180 000	240 000	300 000	360 000	420 000	480 000	540 000	600 000	
custody/audit	0,002	6 000	6 000	12 000	18 000	24 000	30 000	36 000	42 000	48 000	54 000	60 000	
other exp.	0,005	15 000	15 000	30 000	45 000	60 000	75 000	90 000	105 000	120 000	135 000	150 000	
<1 mln. rubles	0,015												
<5 mln. rubles	0,0125	37 500	37 500	37 500	37 500	37 500	37 500	37 500	37 500	37 500	37 500	37 500	37 500
>5 mln. rubles	0,01												
To sell units	0,03	90 000	90 000	90 000	90 000	90 000	90 000	90 000	90 000	90 000	90 000	90 000	90 000

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