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ACTUAL FINANCIAL STRATEGIES FOR MANAGEMENT OF RUSSIAN NATIONAL WELFARE FUND

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1950-

1,5-4 % (7 %)

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Abstract

Sovereign funds exist in many countries regardless of their level of economic development. The creation and formation of funds occurred after the renunciation of the gold and foreign exchange standard in favor of free exchange rate reform in the global currency market during the period of significant growth of the world economy. Russia's sovereign wealth fund has accumulated enough



resources to move on from solving the problem of collecting cashflows from export of natural resources to discussing where and how to invest its surplus. Debates between key public authorities are already actively under way and the first preliminary decisions in this area have emerged. We overviewed all available sources, including scientific literature, statistics from official sites and current legislation on the management of sovereign funds; synthesized and analyzed the information. This paper reviewed best practices of financial management of sovereign funds in the world. We analyzed the current state financial policy of Sovereign Wealth Fund of Russia (SWF) management, principles of formation and spending of its resources. We made the list of recommendations concerning the use of countercyclical investment policy aimed at investing both surplus and the main part of the SWF in foreign financial instruments, basically via the equity market in stocks with high dividend yield. Using more aggressive countercyclical investment policy to manage a permanent balance of 1.5% - 4% of GDP (within the amount of SWF up to 7% of GDP) and the expansion of the investment limits of funds for investing in instruments during periods when NBF exceeds the size of 7% of GDP will allow Russia increase the capitalization of the SWF and create the foundation for the growth of Russian Federation population well-being.

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Keywords: Sovereign Wealth Funds, investments, National welfare fund, investments.

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Sovereign Wealth Funds Institute (SWFI) 2019 .

80 [Sovereign Wealth Funds Institute, 22.09.2019].

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International Forum of Sovereign Wealth Fund,

2016 .

19 % 33 %

[International Forum of Sovereign Wealth Funds (IFSFW), 23.08.2019].

The list of ten world's largest sovereign wealth fund according to the amount of assets

| | () | , | (2018 .), | , % | | |
|-----|---|---------|------------------|----------|--|--|
| 1. | Norway Government Pension Fund Global | 1 108,2 | 435 | 254,75 % | | |
| 2. | China Investment Corporation | 940,6 | 13608 | 6,91 % | | |
| 3. | Abu Dhabi Investment Authority | 696,7 | 414 | 168,28 % | | |
| 4. | Kuwait Investment Authority | 592,0 | 142 | 416,90 % | | |
| 5. | Hong Kong Monetary Authority Investment Portfolio | 509,4 | 363 | 140,32 % | | |
| 6. | GIC Private Limited | 440,0 | 364 | 120,88 % | | |
| 7. | National Council for Social Security Fund | 437,9 | 13608 | 3,22 % | | |
| 8. | SAFE Investment Company | 417,8 | 13608 | 3,07 % | | |
| 9. | Temasek Holdings | 375,4 | 364 | 103,13 % | | |
| 10. | Qatar Investment Authority | 328,0 | 192 | 170,83 % | | |

: [Sovereign Wealth Funds Institute tradingeconomics.com,
28.09.2019]

[Sovereign Wealth Funds Institute tradingeconomics.com,

(, ,) [

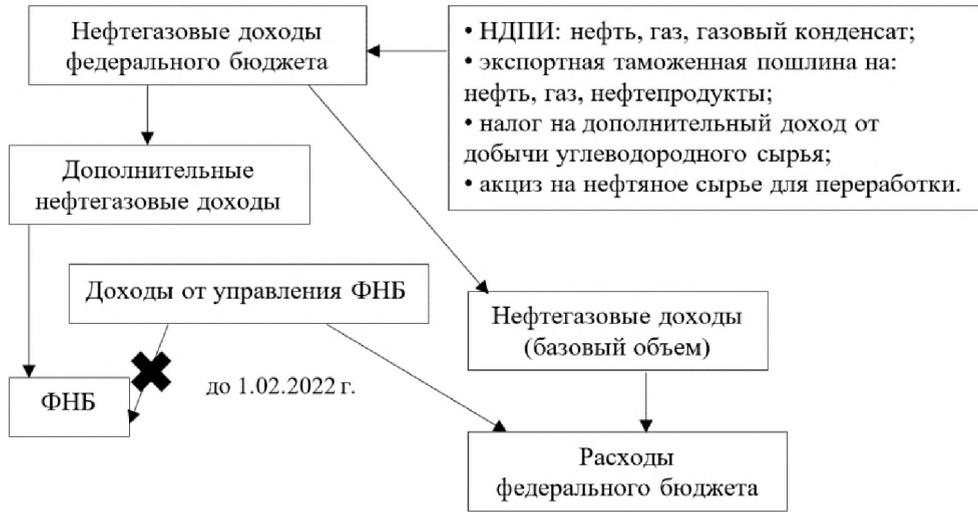
, 2018].

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Fig. 1. Formation of NWF funds

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, 28.10.2019]

| Год | Нефтегазовые доходы федерального бюджета | Дополнительные нефтегазовые доходы | Доходы от управления ФНБ | Нефтегазовые доходы (базовый объем) | Расходы федерального бюджета |
|------|--|------------------------------------|--------------------------|-------------------------------------|------------------------------|
| 2014 | 278,99 | (214,04) | (25,00) | (39,95) | 278,99 |
| 2015 | 20,00 | (57,50) | | | |
| 2019 | 745,63 | | | | |

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Table 2

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Information on placement of NBF funds on deposits in VEB.RF as of September 1, 2019

| | | | | | % |
|---|-------|----------------|--------|--|----------|
| 1 | () | 410,00 | 47,83 | | 8,14 % |
| | | | 18,65 | | 3,17 % |
| | | | 29,18 | | 4,97 % |
| 2 | | 175,00 | 50,00 | | 8,51 % |
| | | | 15,98 | | 2,72 % |
| 3 | | 30,00 | 30,00 | | 5,11 % |
| 4 | « . » | 40,00 | 40,00 | | 6,81 % |
| 5 | () . | 5,966 (7% . | 2,462 | | |
| | | | 138,83 | | 23,63 % |
| | | 6 2014 .) | 3,504 | | |
| | | | 197,58 | | 33,63 % |
| 6 | | | 0,288 | | |
| | | | 16,24 | | 2,76 % |
| 7 | | 300,00 | 23,02 | | 3,92 % |
| | | | 4,77 | | 0,81 % |
| | | | 23,22 | | 3,95 % |
| 8 | : | 955,00 | 587,47 | | 100,00 % |

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Table 3

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Yield from placement of NBF funds in foreign currency (in %)

| | | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------|--------|--------|------|------|------|
| | 1,10 | 1,76 | 0,57 | 0,84 | 0,41 | 0,67 |
| | 1,11 | - 0,47 | - 0,76 | 0,05 | 0,3 | 0,41 |

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Table 4

2 . 2018 - 2 . 2019 . 2016 - 2018 . (%)
Results of the management of Norway 's sovereign wealth fund. In total on fund and by classes
of assets during 2 quarter 2018 - 2 sq. 2019 and 2016 - 2018. (in %)

| | 01.01.1998 | 15 | 10 | 5 | 12 |
|--|------------|------|------|------|-------|
| | 5,91 | 6,41 | 8,83 | 6,17 | 5,16 |
| | 1,79 | 1,87 | 1,73 | 1,35 | 1,58 |
| | 0,08 | 0,08 | 0,07 | 0,05 | 0,05 |
| | 3,97 | 4,38 | 6,91 | 4,69 | 3,48 |
| | 7,47 | 8,09 | 7,46 | 7,11 | 11,08 |

. 4

| | 2 . 2019 | 1 . 2019 | 4 . 2018 | 3 . 2018 | 2 . 2018 |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2,95 | 9,10 | -8,26 | 2,05 | 1,83 |
| | 2,99 | 12,22 | -12,63 | 3,15 | 2,70 |
| | 3,07 | 2,87 | 1,28 | -0,33 | -0,02 |
| | 0,80 | 1,72 | 1,08 | 1,89 | 1,85 |

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| | 2018 | 2017 | 2016 |
|--|-------|-------|------|
| | -6,12 | 13,70 | 6,90 |
| | -9,50 | 19,40 | 8,70 |
| | 0,40 | 3,30 | 4,30 |
| | 7,50 | 7,50 | 7,30 |

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Table 5

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Dynamics of NBF volume as of September 01 from 2008 to 2019

| / | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----|------|------|------|------|------|------|------|------|------|------|------|------|
| . | 32 | 91 | 87 | 93 | 86 | 87 | 85 | 74 | 73 | 75 | 76 | 123 |
| | 785 | 2863 | 2672 | 2673 | 2772 | 2885 | 3151 | 4904 | 4719 | 4426 | 5160 | 8170 |
| ** | 1,9% | 7,4% | 5,8% | 4,4% | 4,1% | 3,9% | 4,0% | 5,9% | 5,5% | 4,8% | 5,0% | 7,5% |

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| | ^ 3- | | | | : |

Fig. 2. Conceptual approach to the financial strategy of the NBF at different stages of the business cycle [John Murphy, 2004]



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