

Solomina Hanna,
Ph. D. in Economics,
Associate Professor of the Department of Finance, Accounting and Taxation,
Zemlianska Yevheniia,
applicant for higher education
National Aviation University, Kyiv

THEORETICAL FOUNDATIONS FOR THE EVALUATION OF MANAGEMENT EFFICIENCY OF JOINT INVESTMENT INSTITUTIONS

Annotation. Collective investment market is the environment where conditions for financial provision of economy progress are created by means of investment process and through the cash flow acceleration. Joint investment institutions (JIIs) are the important sources of investment capital playing an important role in its redistribution and stimulating investment process within any country at the expense of domestic and foreign placement of funds. Assets of all current Ukrainian JIIs are managed by asset management companies (AMCs) being legal entities and pursuing professional activities only according to legal regulations, and the obtained license.

Keywords: joint investment institutions, management efficiency.

A number of papers by national and foreign theoretical scientists and practitioners concern the problem of hypothetical and applied foundations intended to provide efficiency by JIIs, management of their assets, and concretization of theoretical and methodological approaches on their basis. Specifically, studies by N.S. Pedchenko, M.O. Duda [1], and A.O. Shevchenko [2] are oriented on the concept of efficient financial provision of JIIs; they also identify specific features and components of financial assets of the JIIs as well as formulate recommendations concerning priority of tasks of financial support for the activities of such schemes.

In the context of the law of Ukraine “On joint investment institutions” [3], both legislative and organizational backgrounds for endowment foundations have been determined for efficient attraction and efficient allocation of the investment financial resources as well as for operations by joint investment entities, and termination of their activities; moreover, definite requirements for their asset management have been specified, namely concerning the composition, structure, and maintenance of such assets, issuance, circulation, accounting, and buyout. In addition, the procedure for disclosure of information concerning JII activity has been provided.

Assets of the joint investment institutions involve property of the investment funds formed at the expense of finance attracted from investors and income from the asset operations. Along with that, JII liabilities include long term equities, the current payments to participants and shareholders, and transaction costs. The abovementioned components are basic ones since values affect the final financial result of JII activities, i.e. net asset total.

As it is understood from the analysis of performance indicators (Fig. 1), during the last eleven years the number of the established JIIs continues its increase. The

process takes place irrespective of minor decrease during 2014–2016 stipulated by complication of socioeconomic as well as economic situations in the country. Moreover, asset value of such JIIs experienced shorter attrition period (the year of 2016 only). The period did not impact general nature of the dynamics.

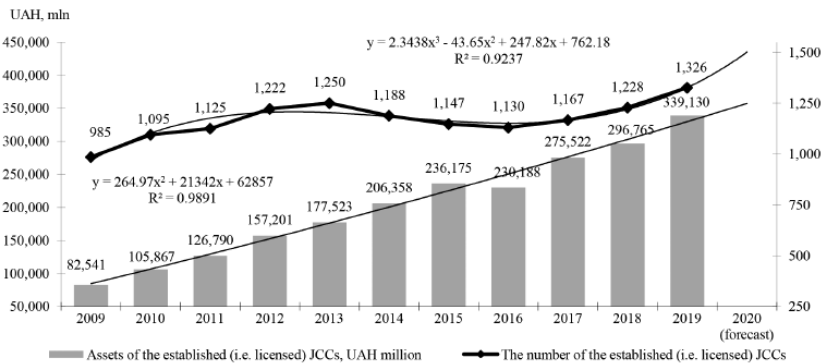


Fig. 1. Dynamics and forecast of the established number of JIIs and value of their assets [4]

Furthermore, that helps the institutions augment their capital (average asset value per one JII increased from UAH 83.8 million in 2009 up to UAH 355.8 million in 2019). The two indices considered have made it possible to form a tendency to increase described by polynomial tendencies being adequate to real conditions (F-tests being 28.2 and 36.3 respectively and exceeding critical values by 4.35 and 4.46 respectively). In the context of the polynomial tendencies, average increment value rates of JIIs are 26.2% exceeding increment rates of their number being 13.6%.

Relying upon the developed tendencies, it is possible to forecast, with a high degree of approximation accuracy (since determination coefficients are more than 0.5), the increase in JII number up to 1.5 thousand institutions. Their asset value will increase up to UAH 357 million. Hence, the tendencies support not rapid but stable consolidation of a joint investment market.

According to the current legislation [3], net asset value is calculated as the difference between sizes of the assets and the investment fund liabilities in terms of present day prices at the evaluation moment. In turn, it influences directly the JII profitability characterizing the net asset value per a security as of the period beginning and taking into account the fund expenses (rewards for services by the asset management company, the depositary, the appraiser, and the auditor listed in the issue prospectus of the joint investment institution).

Fig. 2 explains that net assets value of Ukrainian JIIs (exclusive of venture ones) experienced significant fluctuations during the last two years. Thus, after the a three quarter stability period early in 2018, its end demonstrated rapid growth of net asset value from UAH 8219.6 million up to UAH 15 395.0 million, i. e. by 1.9 times. That was stipulated by winding up of numerous AMCs due to the set of macroeconomic

factors (i.e. temporary break in cooperation with the IMF and four times rate increase caused by the NBU expected inflation rates and financial stability risks) as well as distribution of their assets among companies stayed in the joint investment market and those ones which managed to provide substantial growth in the net asset value after the situation stabilization since they could rebuild their investment portfolios in the context of moderate increase in stock indices.

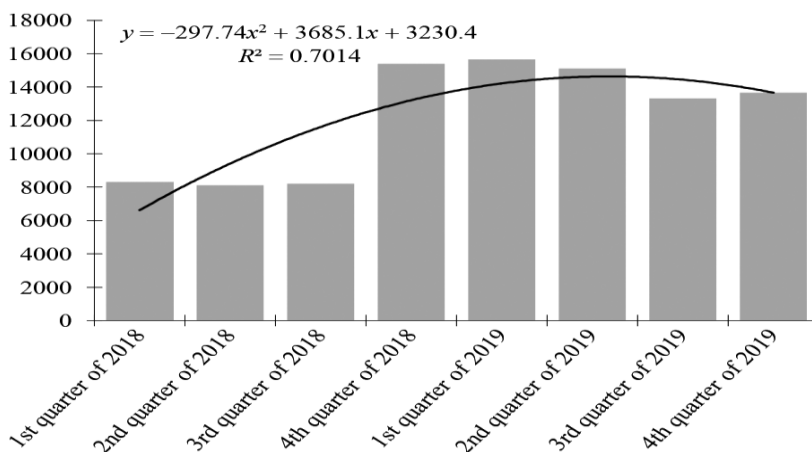


Fig.2. Dynamics of net asset value of JIIs (exclusive of venture ones), UAH million [4]

The trend to the net asset value growth, formed mainly owing to the mentioned jump in the net asset value, leaves polynomial tendency of a high degree approximation accuracy starting from the 2 quarter of 2019 (since determination coefficient is more than 0.5; F-test is 5.87 exceeding critical 5.79 value) became of a reverse nature supporting high likelihood of further efficiency loss in JII activities.

However, calculation of the abovementioned indices is not sufficient to identify tendencies to improve investment portfolio management as well as the JII activities on the whole. Moreover, lack of involvement of time dependent stability of asset profitability of the investment portfolio cannot provide adequate objectivity in the process of evaluation of investment attractiveness of the JII as well its economic security degree [5].

Determination of economic prerequisites of efficient management of joint investment institutions, their investment attractiveness, and economic security made it possible to substantiate the integrated approach to evaluate management efficiency of JII from the viewpoint of the efficient formation of investment portfolio and activities by the institution on the whole. Evaluation of the efficiency of investment portfolio of assets relies upon the use of indices of profitability and riskiness of the asset portfolio together with the index of timing stability as for making gains from the investment assets.

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