Department of

(2008), they are less prone to asset selection errors and altering the degree of risk of

sample is reduced from 1658 to 924 funds. Further, we combine similar categories as follows: stock, stock index, direct and mixed investment categories into a single "stock" category; bond market and bond index into a single "bond" category; this yields 4 categories to consider: stock, bond, money, commodity. We also decided to add an additional "international" category that includes stock funds investing in the international rather than the domestic markets and therefore incurring an additional exchange rate risk. The number of funds in each category by year is reported in Table 1, their distribution into categories is shown in Figure 1, and their returns with some descriptive statistics are displayed in Table 2.

We choose the "constrained regression" version of the RBSA model and estimate rolling-window regressions over 12 months. Because this specification only requires that all coefficients add up to one, each beta coefficient individually can take both positive and negative values. Thus, this model specification allows funds to short the market indices. The regression is the following:

(1)

 where:

      $Return_{it}$ – monthly returns of fund i during the 12-month period ending at t;

      $MICEX_t$ – monthly returns of the Moscow Stock Exchange Full Return Index during the 12-month period ending at t;

      $RCB5Y_t$ – monthly returns of the Moscow Stock Exchange Corporate 5-Year Bond Index during the 12-month period ending at t;

      $RGB5Y_t$ – monthly returns of the Moscow Stock Exchange Government 5-Year Bond Index during the 12-month period ending at t;

      $Gold_t$ – monthly percentage changes of the Bank of Russia's gold buy/sell quotes;

      USD_t – monthly percentage changes of the Bank of Russia's USD buy/sell quotes.

The model coefficients measure the effect of each style index on the fund's returns. The indices for each category were chosen as follows: MICEX - stock funds; RCB5Y - bond funds; RGB5Y - money market; Gold - commodity; USD - "international". Table 3 reports summary statistics for the style indices, Figure 2 displays the series, and Figure 3 their correlations; although they appear to be highly correlated, according to Sharpe (1992) they can still be used for the analysis as long as they have different standard deviations.

2. Style-

style drift (IHS) exhibit the highest volatility, but only have the second highest portfolio returns, while style consistent funds with a low style drift (CLS) performed, on average, 17% better than other funds, a result which is statistically significant at the 1% level and is consistent with the findings of Brown and Harlow (2009) and other researchers.

One of the possible explanations for the better performance of the CLS group of funds might be their distribution in terms of SDS. Figure 6 plots each fund's cumulative return against its SDS score. It can be seen that style-consistent funds (blue dots) are generally clustered in the southeast area of the graph, while style-a   iistent   r at the

They have some important policy implications for the Bank of Russia as a financial overseer and regulator, specifically they suggest that it should impose restrictions on the style-drifting behaviour of funds and provide incentives for them to become more style-consistent.

Barberis, N. and Shleifer, A. (2003), Style investing, *Journal of Financial Economics*, , issue 2, p. 161-199.

Brown K., Harlow W., Zhang H (2009), Staying the Course: The Role of Investment Style Consistency in the Performance of Mutual Funds. Working paper. University of Texas, Austin.

Cao, C., Iliev, P. and Velthuis, R. (2017), Style drift: Evidence from small-cap mutual funds, *Journal of Banking & Finance*, , issue C, p. 42-57.

Cumming, D., Fleming, G. and Schwienbacher, A. (2009), Style Drift in Private Equity, *Journal of Business Finance & Accounting*, , issue 5-6, p. 645-678.

Galloppo, G. and Trovato, G. (2017), Fundamental driver of fund style drift, *Journal of Asset Management*, , issue 2, p. 99-123.

Herrmann, U., Rohleder, M. and Scholz, H. (2016), Does style-shifting activity predict performance? Evidence from equity mutual funds, *The Quarterly Review of Economics and Finance*, , issue C, p. 112-130.

Huang, J., C. Sialm, and H. Zhang (2008), Risk shifting and mutual fund performance, Working Paper, University of Texas.

Idzorek, and Bertsch, F. (2004), The Style Drift Score. Journal of Portfolio Management, , p. 76-83.

Kurniawan, M., How, J. and Verhoeven, P. (2016), Fund governance and style drift, *Pacific-Basin Finance Journal*, , issue PA, p. 59-72.

Moneta, F. (2015), Measuring bond mutual fund performance with portfolio characteristics, *Journal of Empirical Finance*, , issue C, p. 223-242.

Sharpe, W.F. (1992), Asset allocation: Management style and performance measurement. *The Journal of Portfolio Management*, 18, p. 7-19.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Stock	518	492	482	513	492	471	418	369	338	293
Bond	95	82	79	88	93	104	98	92	85	79

	RCB5Y	RGB5Y	MICEX	Gold	USD
Min.	-48.168	-26.114	-3.569	-4.987	-11.179
1st Qu.	0.299	-0.889	0.130	-0.037	-0.103
Median	0.776	-0.189	0.540	0.007	0.011
Mean	0.817	-0.314	0.483	0.029	-0.013
3rd Qu.	1.239	0.159	0.797	0.065	0.107
Max.	28.710	52.522	2.960	4.856	3.174