

Q2 2018 overview of fund management sector

The number of fund management companies operating on the Estonian market as at Q2 2018 was 15.

Key indicators	Q1 2018	Change	Q2 2018
Volume of managed assets	6,26 bln €	?	6,27 bln €
incl. volume of assets of funds (incl. non-public funds)	4,72 bln €	?	4,74 bln €
Quarterly increase in market value of funds	2%	?	0,4%
Balance sheet assets of fund management companies	139 mln €	?	131 mln €
Profit	3,4 mln €	?	3,3 mln €
Return on equity	11%	?	12%
Own funds requirement coverage	524%	?	512%

The volume of the assets managed by the management companies operating in Estonia increased by 0.2% in Q2 and amounted to 6.27 billion by the end of the quarter. The assets managed by management companies increased predominantly. An exception is the market participant that reduced the volume of the assets managed within the scope of the investment management services provided to the funds of other management companies by about 153 million euros, justifying this with the usual behaviour of clients on market where volatility has increased. The business volumes of investment management by way of subcontracting decreased by 9% as result of this. Management of the funds of Estonian management companies comprised 77% of the assets managed by the sector, provision of investment management services to the funds of other management companies comprised 21% and securities portfolio management 2%.

The total volume of funds only increased by 0.4%, i.e. 18 million euros, in Q2. The total volume of the new funds with lower management fees launched in Q4 2016 and later was 79 million euros by the end of Q2.

The total volume of the on-balance sheet assets of management companies decreased by 5.4% in Q2, from 139 million euro to 131 million euros. The reason of the decrease is in the decline in cash and cash equivalents as well as in retained earnings.

The net profit of the sector in Q2 was 3.3 million euros, which was lower than in Q1. However, a large amount of income tax was paid in Q2, mainly as a result of the withdrawal of profit as dividends and the reduction of the share capital of management company. The annual return on equity in Q2 was 12%, i.e. 1% more than in Q1. Almost all management companies operating on the market earned a profit.

All management companies comply with the own funds standard and the sector-based coverage was even 512%.

Main developments and risks

- The fund management sector remains profitable, but the net profit in this half-year is smaller by a fifth when compared to the same period in 2017.
- Kawe Kapital left the fund management sector and continued operating as an investment firm.
- The own funds standard in the sector has been met by more than fivefold, but a couple of management companies are under the enhanced attention of the supervisory authority.

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