

## Q2 2018 overview of investment and pension fund sector

The number of authorised non-public alternative funds operating on the Estonian market in addition to public investment funds as at Q2 2018 was 11.

Changes in the rules of two equity funds were approved in Q2 2018 – the Trigon Baltic Fund and the Trigon Russia Top Picks Fund. The number of investment funds has not changed and 44 public investment funds operated at the end of Q2, more than half of which were pension funds (32 in total).

Key indicators	Q1 2018	Change	Q2 2018
Volume of assets of public funds	4,4 bln €	?	4,4 bln €
Share of second pillar funds	83,4%	?	86,6%
Number of unit-holders of public funds (excl. pension funds)	10 598	?	10 385
Number of unit-holders of pension funds	786 622	?	782 056
Number of operating public funds	44	?	44

The volume of assets of equity funds registered in Estonia decreased considerably in Q2 – by about 175 million euros (42%). The reason for this is that the Trigon New Europe Fund was moved to Luxembourg. The decrease in the volume of assets of equity funds was compensated by mandatory pension funds, whose assets increased by 142 million over the quarter, and the increase in property funds was 27 million euros.

All in all, the volume of assets of public funds increased by 0.01% or 662,000 euros in Q2 and amounted to 4.43 billion euros. The average increase in previous periods was 135 million euros per quarter.

Mandatory pension funds remained overwhelmingly the biggest fund class with a share of 87% of the total volume of the assets of public funds. They are followed by equity funds with 6% and public property funds (4%). Voluntary pension funds comprise 3% of the total volume of the assets of public funds.

The movement of the Trigon New Europe Fund to Luxembourg decreased the market share of AS Trigon Asset Management from 3% to 1%. The biggest market share belonged to Swedbank

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Investeeringimisfondid (42%). It was followed by AS LHV Varahaldus (26%) and AS SEB Varahaldus (17%).

The number of unit holders of public funds (excl. pension funds) decreased by 213 in Q2 and amounted to 10,385 by the end of June. The decrease occurred on the account of equity funds (by 268). The number of unit holders of pension funds decreased by 4,566 and amounted to 782,056.

The decrease in the number of unit holders in pension funds occurred in mandatory pension funds, which is primarily related to the specifics of recognising fund switch applications. The number of unit holders of mandatory pension funds has increased by 8,476 when compared to the same period last year.

Significant changes occurred in the investment structure of mandatory pension funds in 2017 – investments through other funds were replaced with direct investments in equities and bonds. Such a division of investments remained also in Q2 2018 – the overall share of direct investments comprised 67%. Investments via other funds comprised 31%. The share of term deposits and current accounts was only 2%.

The investments of mandatory pension funds in equities comprised 655 million euros by the end of Q2, the biggest amounts of which were invested in the equities of US companies (238 million euros). Fifty-six million euros was invested in the equities of UK companies and 52 million euros in the equities of Japanese companies. Investments in the equities of the Port of Tallinn (30 million euros) were added to the portfolio of Estonian equities and it has become the Estonian equity with the biggest share (0.8% of the aggregate portfolio of mandatory pension funds). The total investment in Estonian equities is 76 million euros, i.e. 2% of the aggregate portfolio of mandatory pension funds.

The bond investments of mandatory pension funds amounted to 1.9 billion euros at the end of June. The biggest investments were made in Estonian (281 million euros or 7.3% of the aggregate portfolio of mandatory pension funds), French (275 million euros) and Lithuanian (194 million euros) bonds. The majority of the acquired bonds have been issued by central governments and credit institutions.

## **Main developments and risks**

- The decrease in the number and assets of equity funds made the fund sector even more centred on mandatory pension funds.
- The biggest investments of mandatory pension funds were also in equities and bonds in Q2, which indicates changes in the former investment strategy and more active funds management by management companies.
- Investments in the securities (equities and bonds) of Estonian issuers comprised 9.3% of the aggregate portfolio of mandatory pension funds. The share of Estonian equities and bonds a year ago was 3.3%.

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