
Q4 2018 overview of investment and pension fund sector

At the end of 2018 there were 44 public investment and pension funds operating in the Estonian market. More than half, 32, of the funds operating were pension funds.

Key indicators	Q3 2018	Change	Q4 2018
Volume of assets of public funds	4,6 bln €	?	4,5 bln €
Share of second pillar funds	87,2%	?	87,4%
Number of unit-holders of public funds (excl. pension funds)	10 344	?	10 297
Number of unit-holders of pension funds	788 188	?	800 570
Number of operating public funds	44	?	44

The value of the assets of public funds grew by 78 million euros, or 2%, in the fourth quarter to 4.5 billion euros. A year earlier the growth in the assets of public funds had been 4%. Mandatory pension funds are still the largest type of fund in the Estonian market, accounting for 87% of the total assets of the public funds sector. They are followed by equity funds with 5% of the total assets, public real estate funds with 5%, and voluntary pension funds with 3%.

Alongside the public investment funds operating in the Estonian market there were 23 non-public investment funds. Finantsinspeksioon believes that their total assets were 517 million euros.

The number of owners of units in public funds increased by 10,675 over the year to 810,867 at the end of the fourth quarter . The growth came mainly from mandatory pension funds. The number of owners of units in public real estate funds rose by 19, while the number of owners of units in equity funds fell by 269 and the number of unit owners in voluntary pension funds by 180.

The mandatory pension funds that saw the biggest growth in the number of unit holders in 2018 were Swedbank pensionifondid, up 7546, and Tuleva pensionifondid, up 3270. The number of unit holders in Luminor pensionifondid fell by 794 over the year. Direct investments had increased substantially in the structure of investments by mandatory pension funds in 2017, and in 2018 they remained at the same high level of 65% of total investment. Investment through other funds accounted for 32% of the total and term deposits and current accounts for only 3%.

The fall in global stock markets at the end of the year reduced the value of equity investments by mandatory pension funds, and this in turn reduced the value of the mandatory pension fund portfolio by 68 million euros.

Mandatory pension funds had invested 617 million euros in shares at the end of the fourth quarter, of which 226 million euros, the largest part, was invested in the shares of US companies, while 51 million euros was invested in the shares of British companies and 44 million euros in the shares of Japanese companies. The 31 million euros, or 0.8% of the total portfolio of mandatory pension funds, that was invested in the shares of Tallinna Sadam was the largest single part of the portfolio of Estonian shares. A total of 77 million euros had been invested in Estonian shares, accounting for 2% of the aggregate portfolio of mandatory pension funds.

Investments by mandatory pension funds in bonds came to 1.9 billion euros at the end of the year. The biggest investments were of 295 million euros, or 7.5% of the aggregate portfolio of mandatory pension funds, in Estonian bonds, 253 million euros in Lithuanian bonds, and 170 million euros in French bonds. The majority of the bonds were issued by central governments and banks.

Main development trends and risks

- A reduction in the number of equity funds and in assets made the fund sector even more centred on mandatory pension funds.
- New investments by mandatory pension funds continued to be in direct investment in securities and investment through other investment funds in the fourth quarter of 2018. This suggests a change in the current investment strategy and more active fund management by fund managers.
- Investment in securities, whether equity or bonds, issued in Estonia accounted for 9.4% of the consolidated portfolio of mandatory pension funds, A year earlier, 7.1% of the investment was in Estonian shares and bonds.
- Some growth in the popularity of non-traded instruments could be observed.
- The total volume of voluntary pension funds increased by only 0.7% in 2018. The growth was very small next what it had been in earlier years. One reason for this was a reduction in the size of the largest voluntary pension fund in the Estonian market.

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