

Q4 2018 overview of fund management sector

At the end of 2018 there were 15 fund management companies operating in the Estonian market.

Key indicators	Q3 2018	Change	Q4 2018
Volume of managed assets	6,33 bln €	?	6,19 bln €
incl. volume of assets of funds (incl. non-public funds)	4,90 bln €	?	4,82 bln €
Quarterly increase in market value of funds	3,7%	?	-1,6%
Balance sheet assets of fund management companies	135 mln €	?	140 mln €
Profit	6,3 mln €	?	3,9 mln €
Return on equity	14,2%	?	13,6%
Own funds requirement coverage	507%	?	505%

The volume of assets managed by fund managers operating in Estonia decreased by 2.1% in the fourth quarter of 2018 to 6.19 billion euros. The value of assets managed fell across all business lines because of the volatility of share prices in financial markets, which affected both pension and equity funds. This meant that conservative pension funds were more successful than other pension fund managers at the end of the year. The volume of assets under management by fund management companies grew by 1% over the year.

The total value of funds fell by 2% in the fourth quarter to 4.8 billion euros at the end of the year. At the same time the business volumes of delegated investments fell by 4%. The volume of delegated investment was down 7% over the year, while the total volume of funds was up 3%.

The total volume of assets managed by fund managers operating in Estonia increased by 3.3% in the fourth quarter to 140 million euros. The balance sheet of fund management companies grew by 8% over the year, mainly from profit earned.

The net profit of the sector in the fourth quarter was 3.9 million euros, while fund managers earned total profit of 16.9 million euros in 2018, or 13% less than in 2017. The profit of fund managers was comparable to that of 2017 up to the end of the third quarter, but the fall in financial markets in the

fourth quarter reduced the value of the financial investments of fund managers and meant that profit for the year as a whole was lower.

The return on equity of the sector fell from 14.2% in the third quarter to 13.6% in the fourth, and the fall for the year as a whole was 3.4%.

All fund management companies met the requirements for own funds at the end of 2018. There was no major change in the coverage of the own funds requirement during the quarter and it remained at 505%.

Main development trends and risks

- The fund management sector is profitable and has good return on capital, but the increased volatility in financial markets may reduce profitability.
- The own funds requirements of the sector is covered five times over, but individual fund managers still come under close supervisory attention.

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