

Q1 2019 overview of fund management sector

In the first quarter of 2019 there were 15 fund management companies operating in the Estonian market.

Key indicators	Q4 2018	Change	Q1 2019
Volume of managed assets	6,19 bln €	?	6,75 bln €
incl. volume of assets of funds (incl. non-public funds)	4,82 bln €		5,31 bln €
Quarterly increase in market value of funds	-1,6%	?	10,2%
Balance sheet assets of fund management companies	140 mln €	?	139 mln €
Prodit	3,9 mln €	?	5,1 mln €
Return on equity	13,6%	?	16%
Own funds requirement coverage	505%	?	505%

The volume of assets managed by fund managers operating in Estonia increased substantially by 9% or around 560 million euros in the first quarter. The growth was led by growth of more than 10% in fund management services. This was followed by the part of the assets under management of the asset investment service, which grew by 6%, while the volume of securities portfolio management services declined steadily and was down by 7% in the first quarter. The growth in assets under management saw a return of optimism in the financial markets after the heavy fall in markets in the fourth quarter of last year.

Fund management, which accounts for the largest part of assets under management, had 5.31 billion euros of the total of assets. This was the first time that the assets of funds have exceeded 5 billion euros. The type of fund that posted the fastest growth was mandatory pension funds at 8%, which was the fastest rate ever for such funds.

The volume of assets on the balance sheets of fund managers remained at the level of the end of last year at 140 million euros. The share of equity in the balance sheet was 92%.

The net profit of the sector in the first quarter of 2019 was 5.1 million euros, and profit before tax was

6.6 million euros. The growth in profit was primarily supported by growth of some 300% in the value of financial investments, which drew on the general positive attitude of markets.

The return on equity in the first quarter of 2019 was 16.02%, which was the highest recorded since the fourth quarter of 2017. Pension fund managers had the same figure of 17%, which is the highest of at least the past decade.

The equity coverage requirement for the sector was met by 505% at the end of the quarter, with all the fund managers in the sector meeting the minimum requirement for equity.

Main development trends

- The fund management sector is profitable and has good return on equity, but slowing growth in the economy could change that.
- The equity requirement for the sector is met more than five times over, while some individual fund managers have come under heightened scrutiny.

[Quarterly reviews of the fund management sector](#)