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## Q3 2020 overview of fund managers sector

The total volume of assets managed by the fund management sector increased by 1.2% in the third quarter of 2020, or in monetary terms by 100 million euros. The total assets managed by the sector have not returned to the level of the end of 2019, before the crisis, but the volume of funds managed has recovered from the crisis. The fall in financial markets that started at the end of the first quarter in response to the pandemic that erupted in March was followed by a rapid recovery in the second quarter. The rapid rise that was expected in the third quarter did not happen though, as the overall situation of the global economy and financial markets was fragile.

<b>Key indicators</b>	<b>Q2 2020</b>	<b>Change</b>	<b>Q3 2020</b>
Value of assets managed	7,27 mlrd €	?	7,36 mlrd €
of which assets of funds (including non-open funds)	5,99 mlrd €		6,20 mlrd €
Quarterly growth in the market value of funds	7,7%	?	3,4%
Value of balance-sheet assets of fund managers	120,4 mln €	?	123,8 mln €
Profit	5,08 mln €	?	4,0 mln €
Annualised return on equity	16,6%	?	13,9%
Equity coverage ratio	448%	?	438%

The Covid-19 crisis and the consequent economic difficulties affected almost all of the business lines offered by fund managers. The business lines showed quite different trends in the third quarter. The volume of funds managed increased by 204 million euros or 3.4% in the third quarter to surpass clearly its level of the end of 2019. Investment under mandates in the assets of other funds, which is the second largest business line by volume, dropped by 11.3 % in the third quarter and returned to its level of the first quarter, which was its lowest point of recent years. The dynamics of the securities portfolio management business line were negatively correlated with the unfolding of the crisis, as it increased in the first quarter, fell in the second, and then grew again in the third quarter.

The volume of assets on the balance sheets of fund managers grew for the second consecutive

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quarter to reach 123.8 million euros in the third quarter of 2020, which is almost where it was before the crisis. Closer examination of the balance sheet reveals that the growth came from various changes. The biggest growth was in monetary funds and other financial investments. Equity grew through the profit of the previous quarter. However, the value of financial investments, including shares in pension funds, fell substantially. Profits were 1 million euros down in the third quarter from the 5 million euros in the second quarter. The profit in the third quarter of 2019 totalled 5.6 million euros. Profit for the current year stands at 7.3 million euros after the third quarter, which is barely half as much as in the same period of 2019. Return on equity fell in the third quarter from 16.60% to 13.97%.

The equity coverage requirement of the sector was met by 438% at the end of the third quarter, which is 10% lower than the minimum equity coverage in the second quarter. Equity coverage fell primarily because equity declined by 0.9 million euros. At the same time, the equity requirement was increased by 1% and all market participants met the standard.

As well as managing their own funds, the fund managers operating in Estonia provide management services for fund assets as subcontractors to other funds and financial institutions. Assets subcontracted for management to the Estonian fund management sector accounted for 14.1% of all the assets under management at the end of September.

## **Main development trends and risks**

- The impact of the Covid-19 crisis on profitability weakened substantially, and almost all the fund managers were in profit. The profit in the third quarter was however smaller than that in the same period of last year. The accumulated profit of the whole sector in 2020 was 7.3 million euros.
- The capitalisation of the fund management sector remains good. The sector entered the Covid-19 crisis strongly capitalised.

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