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## Q4 2020 overview of investment fund sector

There were six investment firms operating in the market at the end of the fourth quarter. The number of investment firms rose by one during the quarter. There are no branches of foreign investment firms operating in the market in Estonia.

Key indicators	Q3 2020	Change	Q4 2020
Value of client assets	374 million €	?	403 million €
Value of assets of investment firms	101 million €	?	107 million €
Profit/loss	5.4 million €	?	-3.8 million €
Net income	13.2 million €	?	3.9 million €
Return on equity (cumulative, annualised)	47.0%	?	29.4%
CET1 ratio, consolidated	28.28%	?	25.06%

The assets of the investment firms increased by 7% over the quarter to 107 million euros. The investment firm sector owns large trading portfolios. The volume of open trading positions increased by 36% over the quarter to stand at 123 million euros, or 210% of the own funds of the sector. The positions in the trading portfolio grew most in financial instruments related to currencies, which increased to 74% of the trading portfolio. Equity positions were a relatively small part of the positions exposed to market risk, and they declined over the quarter from 23% of the positions to 15%. Short-term deposits with credit and financing institutions were 41% of the assets of investment firms and liquid bonds were 13% of assets. This means that over half of the assets of the sector are invested in liquid investments.

## **Main development trends and risks**

- The revenue base of the sector consists to a large extent of revenues from the large trading portfolios. Trading income is volatile by its nature and market risks may be realised rapidly. The materialisation of market risk caused the sector large losses in the fourth quarter.
- The losses were caused by a sharp drop in trading revenues.
- Despite the poor results for the fourth quarter, the sector as a whole earned record profit in

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2020 as the volatility caused by the Covid-19 crisis and client activity helped earn larger profits than usual during the previous quarters of the year.

- The balance sheets of investment firms are liquid, as more than half of the assets on them are highly liquid.

[Quarterly reviews of the investment firm sector](#)

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