
Q1 2021 overview of fund managers sector

The total volume of assets managed by the fund management sector was a little lower in the first quarter of 2021 than in the previous quarter, having declined by 3.3% or 260 million euros, and the market value of the assets remained at 7.61 billion euros. Fund management as a business line saw growth of 2% or 131 million euros, while investment of fund assets and securities portfolio management declined. The fall in the value of securities portfolio management was quite negligible at only 0.1% or 182,000 euros, but the volume of investment of fund assets fell by 33%. The volume of assets under management was 13.3% larger than a year earlier. The growth came largely from the recovery in markets after the fall in the first quarter of 2020 that was caused by the coronavirus pandemic.

Key indicators	Q4 2020	Change	Q1 2021
Value of assets managed, of which assets of funds (including non-open funds)	7.87 billion € 6.53 billion €	?	7.61 billion € 6.66 billion €
Quarterly growth in the market value of funds	5.3%	?	2%
Value of balance-sheet assets of fund managers	116.4 million €	?	108.2 million €
Profit	6.14 million €	?	3.1 million €
Annualised return on equity	12%	?	12%
Equity coverage ratio	344%	?	347%

Fund managers saw a notable fall in profit in the first quarter, making 3.1 million euros less than in the previous quarter, which was consequence of dividend payouts and lower service fee income. The annualised return on equity in the first quarter of 2021 was 12%, which is the same as in the previous year.

The pension reform affected the revenue base of pension funds

By the end of the first round of the pension reform on 31 March 2021, applications to leave the second pillar covered 24% of all the volume of second pillar pension funds, or 1.3 billion euros. Such a substantial departure affected the size of pension funds and the profitability of fund managers, and so also their equity. Analysis by Finantsinspeksioon shows though that despite service fee income falling after the payouts, the reduced income will not immediately cause losses for fund managers. The high level of own funds and sufficient buffers are enough to protect fund managers if the reduced service fee income should cause problems in the short or medium-term perspective in meeting the norms for own funds.

Main development trends and risks

- The sufficiency of the buffers of the fund managers meant that the temporary fall in income and profit during the pandemic did not substantially affect the own funds of the fund managers or their compliance with the norms.

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