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## Q2 2021 overview of investment fund sector

The value of the assets of Estonian public funds grew by 3.2% or 196.5 million euros in the second quarter of 2021 to stand at 6.34 billion euros in total at the end of the quarter. The growth in the second quarter was faster than the growth of 1.9% in the first.

<b>Key indicators</b>	Q2 2021	Change	Q2 2021
The value of the assets of public funds	6.14 billion €	?	6.34 billion €
Share of second pillar funds	87.7%	?	87.3%
Number of unit holders in public funds (not including pension funds)	16 964	?	20 410
Number of unit holders in pension funds (second and third pillars total)	929 222	?	924 338
Number of public funds operating	50	?	53

The growth in the assets of equity funds in the first quarter was of 1.4%, and in the second quarter it was 7.1%. The volume of mandatory pension funds increased by 2.8% in the second quarter, and 1.6% in the first quarter, while the growth in real estate funds was 1.3% in the second quarter and 1.0% in the first quarter. Growth was only lower than in the first quarter in the voluntary pension fund segment, where it was 9%, down from 9.5%, but this was still faster than the growth in all the other segments.

The greater share of the assets of public funds is still held by mandatory pension funds, but their share was down slightly on the previous quarter from 87.7% to 87.3%. Even so, three quarters of the total growth in funds came from the mandatory pension fund segment. This was despite the continuing monthly one-off payments from mandatory pension funds to people not yet of retirement age, which reduced the number of people participating in the pension funds.

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Voluntary pension funds accounted for only 4.8% of the volume of assets of public funds at the end of the second quarter, having been 4.6% in the first quarter and 3.6% a year earlier. Some 81,567 new third pillar pension accounts opened over the year, and their popularity can be attributed at least partially to the pension reform. There were 1562 new third pillar pension accounts opened in the second quarter, and the assets of the third pillar funds grew by 25.2 million euros to stand at 304.9 million euros at the end of the quarter.

The share of equity funds in the volume of public funds grew from 3.5% in the previous quarter to 3.6%. This meant the volume of assets there increased by 7.1%, or 15.2 million euros. The share of real estate funds fell from 4.3% to 4.2%, while the volume of assets in such funds increased by 2.8% or 3.5 million euros. The number of shareholders in equity and real estate funds continued to rise in the second quarter as 3446 new shareholders were added.

## **Main development trends and risks**

- It became clear at the end of the second quarter that there was little interest in withdrawing applications to leave the second pension pillar. Finantsinspeksioon carried out liquidity stress tests of pension funds in 2019, 2020 and 2021 that confirmed the pension funds would be able to ensure sufficient liquidity in September 2021. An important issue in the coming years is that it will be difficult to forecast the number of shareholders and the amount of money leaving the funds in the future, and fund managers will have to account for this when making long-term investments and managing liquidity risk.

[Quarterly reviews of the investment and pension fund sector](#)