

[Q2 2018 overview of fund management sector](#)

Finantsinspektsioon has published a short review of the developments in the Estonian fund management sector in the first quarter of 2018 and of the main risks to the sector.

The volume of assets managed by fund managers operating in Estonia increased by 1.8% in the first quarter of 2018 to 6.23 billion euros.

The growth came mainly from management of their own investment funds by Estonian fund managers, and also from providing investment management services to foreign funds as subcontractors. Investment funds made up some 75% of the assets managed by fund managers, and 22% were investment funds managed as subcontractors.

Key Indicators	Q4 2017		Q1 2018
Value of assets managed	6,1 bln €	?	6,2 bln €
of which assets of funds (including non-public funds)	4,65 bln €	?	4,72 bln €
Quarterly growth in the market value of funds	3,6%	?	1,4%
Value of assets of fund managers	129	?	139 mln €
Profit	6,3	?	3,4 mln €
ROE	17%	?	11%
Own funds requirement coverage	511%	?	524%

The total balance sheet assets of fund managers grew by 7.7% in the first quarter to stand at 139 million euros at the end of the quarter. The growth was driven by an increase in the retained profit from prior periods. The largest part of the sector's balance sheet was made up of cash and cash balances and pension fund managers' investments into their own investment funds. These investments were the most exposed to market risk.

The net profit of the fund managers was smaller than usual at 3.4 million euros in the first quarter. Net profit fell because of the losses from financial investments.

The return on equity of the sector fell in the first quarter from 17% to 11.4%. This was affected by the smaller net profit in the sector than usual.

All the market participants met the prudential requirements for fund managers at the end of the first quarter. The coverage of the own funds requirement for the sector increased in the first quarter from 511% to 524%.

Main development trends and risks

- The fund management sector remains profitable and both profits and return on equity have increased in the past couple of years.
- Liquid assets make up a large share of the sector's balance sheet.
- The own funds requirement is covered more than five times over in the sector on average.

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

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