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## Q4 2021 overview of investment fund sector

There were seven investment firms operating in Estonia at the end of the fourth quarter. The assets of the sector increased by 23% to 121 million euros, which is the highest figure ever seen.

| Key indicators                            | Q3 2021    | Change | Q4 2021    |
|---|------------|--------|------------|
| Value of client assets                    | 485 mln €  | ?      | 533 mln €  |
| Value of assets of investment firms       | 99 mln €   | ?      | 121 mln €  |
| Profit/loss                               | -0.9 mln € | ?      | 4.4 mln €  |
| Net income                                | 7.3 mln €  | ?      | 11.2 mln € |
| Return on equity (cumulative, annualised) | -0.1%      | ?      | 5.8%       |

Cash and deposits made up 22% of the total assets of the sector and liquid bonds were 6%, meaning that around a third of all assets were invested in liquid instruments. Loans to clients made up 49% of the assets of the sector.

The investment firm sector had substantial balance sheet exposures to Russia at the end of the year. These were mainly in loans of securities to Russian clients and to a smaller extent in liquidity held at Russian financial institutions. Such positions stood at 49 million euros, or 41% of total assets, at the end of the year. The exposures were mainly concentrated in one investment firm whose business model was connected to the Russian market. The exposures to Russia started to be reduced rapidly after the end of the year. The volume of client assets managed by investment funds increased by 10% in the fourth quarter to 533 million euros. The biggest growth in client assets was in equity investments and in freely available cash.

Investment firms earned 11 million euros in net revenue in the fourth quarter, which is 50% more than in the previous quarter. The sector earned more income from trading in the fourth quarter and from service fee income from advisory services and other investment services.

The sector made a profit of 4.4 million euros in the fourth quarter having made 0.9 million euros in the third. Net profit for the whole of 2021 was 4.4 million euros, and return on equity was 6%.

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The own funds of the sector were 3.7 times the Pillar 1 capital requirements in the fourth quarter. Companies in the sector on average met the liquidity requirement 3.6 times over.

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

Page last edited on 06/10/2022