



NATIONAL BANK OF SERBIA

**INSURANCE SUPERVISION DEPARTMENT
PENSION FUNDS SUPERVISION DIVISION**

**VOLUNTARY PENSION FUNDS
IN SERBIA**

Second Quarter Report 2019

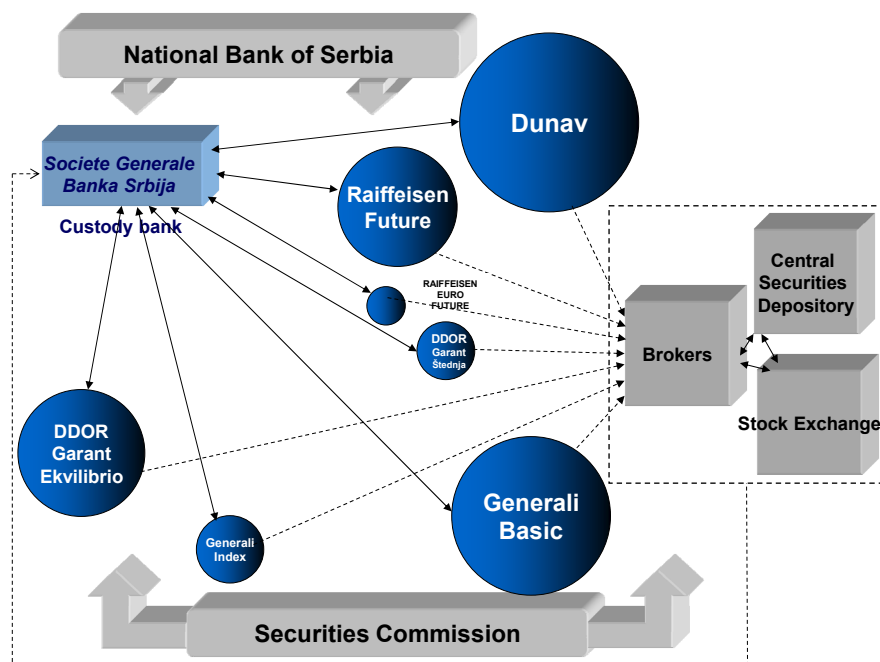
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1. Market participants

At end-Q2 2019, the market of voluntary pension funds (VPFs) included four companies managing seven VPFs, one custody bank, five intermediary banks and one insurance brokerage undertaking¹.

Diagram: Market participants



At end-Q2 2019, total employment in VPF management companies was 123, one person more than a quarter earlier.

The NBS licenses sales agents, who passed professional examinations and fulfilled other requirements, to disseminate information about VPF operation. By end-Q2 2019, total of 792 sales agent licences were granted.

As brokers, management companies, banks and insurance undertakings may engage sales agents. At end-Q2 2019, management companies hired 95 persons, intermediary banks 444 persons and insurance undertaking 25 persons as sales agents.

2. VPF net assets

At end-Q2 2019, VPF net assets equalled RSD 42.1 bn. In Q2 net assets expanded by 1.03%. The changes in the value of

At end-Q2 2019, net assets equalled RSD 42.1 bn.

¹ Raiffeisen Bank a.d. Beograd, Societe Generale banka Srbija a.d. Beograd, NLB banka a.d. Beograd, Addiko Bank a.d. Beograd and Sberbank a.d. Beograd, a joint stock insurance undertaking "DDOR Novi Sad", Novi Sad

net assets reflect net contributions,² withdrawals and investment returns. In Q2-2019, total contributions amounted to RSD 935.58 mn and members withdrew RSD 478.95 mn. Although net assets increased in this quarter, certain asset classes which make up a prominent share in the structure of VPF assets recorded a decline in value, which affected investment return.

End-of-period net assets of the VPF sector

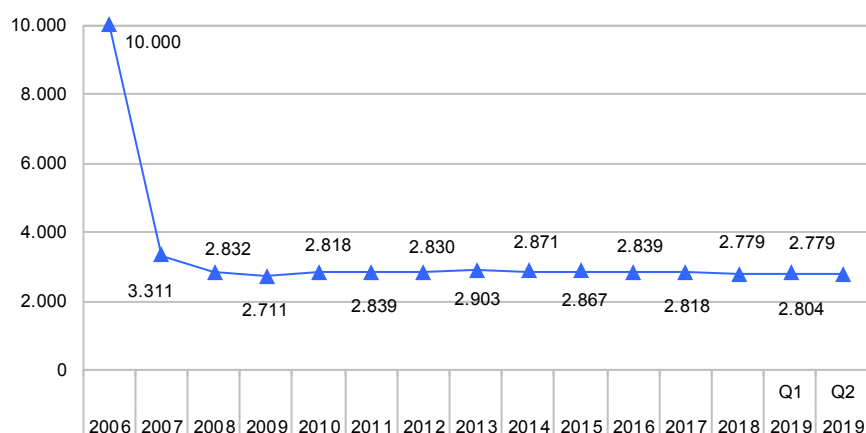
(in RSD bn)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
												Q1	Q2
3.1	4.6	7.2	9.9	12.5	16.1	19.7	23.6	28.9	32.8	36.2	40.2	41.6	42.1

Source: National Bank of Serbia.

End-of-period sector concentration

(Herfindahl–Hirschman Index)



Source: National Bank of Serbia.

Measured by HHI, market concentration in the sector³ amounted to 2,779 points at end-Q2 2019, which indicates high concentration in the VPF market.

According to the size of VPF net assets relative to total net assets of the sector, two funds were classified as “large” and two as “medium”. Together, they held 95% of the market share, with the largest fund accounting for around 40%.

Number of funds by groups divided by market share

(in units)

Share in net assets (%)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
													Q1	Q2
Large (20 and above)	3	2	2	3	2	2	2	2	2	2	2	2	2	2
Medium (5 - 19.99)	-	2	3	1	2	2	2	2	2	2	2	2	2	2
Small (0 - 4.99)	4	6	5	4	5	5	2	2	3	3	3	3	3	3

Source: National Bank of Serbia.

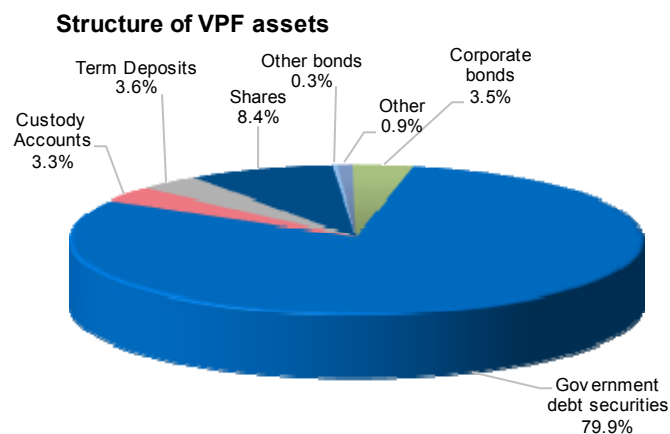
² Net contributions are total contributions minus the front-load fee.

³ In terms of the share in total net assets.

3. Structure of VPF assets

At end-Q2 2019, the structure of investment of VPF assets remained broadly unchanged. Government bonds accounted for the major part of VPF assets – 79.9%. Balances in custody accounts and bank time deposits made up 6.9%, shares 8.4% and other securities (the EBRD’s bond) 0.3% of total VPF assets. Investment in units of open-end investment funds and receivables made up the category “other” which accounted for 0.9%. VPF assets were also invested in corporate bonds, which made up 3.5% of total assets.

Most of the assets were invested in government debt instruments – 79.9%.

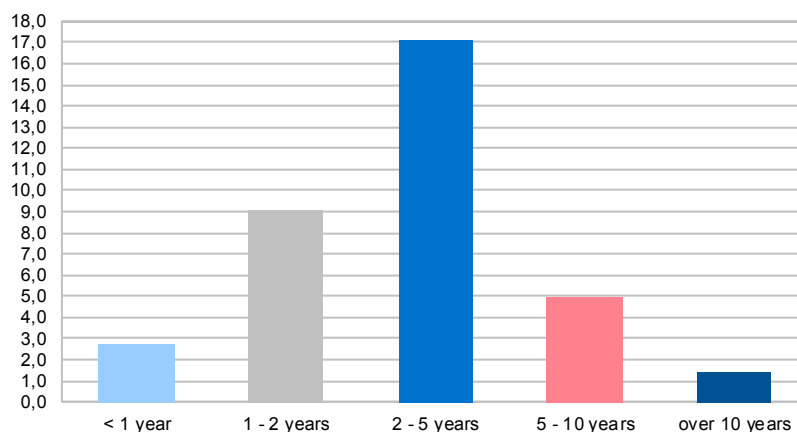


Source: National Bank of Serbia.

At end-Q2 2019, 7.7% of government debt instruments had the maturity of up to one year, 25.7% between one and two years, 48.4% between two and five years, 14.2% between five and ten years, and 4.0% over ten years.

The average maturity of assets⁴ invested in government debt instruments was 3.5 years.

Maturity structure (government fixed income securities)
(in RSD bn)



Source: National Bank of Serbia.

At end-Q2 2019, 86.2% of total assets were in dinars and 13.8% in a foreign currency (EUR).

⁴ The maturity of instruments weighted by their share in total investment in government debt instruments.

4. Return on investment

At end-Q2 2019, FONDex⁵ reached 2,923.38 points.⁶ The increase in FONDex, which represents the weighted average return of all funds, came at 4.8% during the last year. Since the start of VPF operation,⁷ the return of the FONDex has equalled 8.9%.

Given the structure of VPF investment, the return is influenced by: the change in the yield curve on government debt instruments⁸, change in the prices of shares, level of the key policy rate and banks' interest rates, and changes of the dinar exchange rate against the euro and the dollar.

In Q2-2019, in the primary market of dinar-denominated government debt instruments, the securities with the following maturities were re-issued: three-year (RSD 25.6 bn) at the rate of 3.4% and seven-year (RSD 48.6 bn) at the rate of 4.4%.

Market value of issued dinar-denominated government debt instruments, by maturity (in RSD bn)

Maturity	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
3m	-	-	-	-	-
6m	-	-	-	-	-
12m	-	-	-	-	-
18m	-	-	-	-	-
24m	-	-	-	-	-
36m	-	-	-	18.3	25.6
60m	27.0	18.5	-	10.6	-
84m	-	-	-	18.3	48.6
120m	20.0	10.9	-	-	-
Total	47.0	29.4	0,0	47.2	74.2

Source: Ministry of Finance.

Accepted rate of issued dinar-denominated government debt instruments, by maturity

Maturity	Q2 2017	Q3 2018	Q4 2018	Q1 2019	Q2 2019
3m	-	-	-	-	-
6m	-	-	-	-	-
12m	-	-	-	-	-
18m	-	-	-	-	-
24m	-	-	-	-	-
36m	-	-	-	3.7%	3.4%
60m	4.0%	3.7%	-	4.0%	-
84m	-	-	-	4.6%	4.4%
120m	4.9%	4.8%	-	-	-

Source: Ministry of Finance.

⁵ FONDex is the index which indicates movements in investment units of all VPFs in the market.

⁶ On the day when the first VPF started to operate – 15 November 2006, the initial FONDex value was 1000 points.

⁷ Annual rate.

⁸ A decline in interest rate leads to an increase in the prices of debt instruments and vice versa. The prices of longer-maturity instruments are more sensitive to interest rate changes.

Q2 2019 saw the re-issuing of euro-denominated government debt instruments worth a total EUR 220.6 mn – two-year securities (EUR 74.6 mn) at the rate of 0.8%, three-year (EUR 53.6 mn) at the rate of 1.2%, and five-year (EUR 92.4 mn) at the rate of 1.5%.

Market value of issued euro-denominated government debt instruments, by maturity
(in EUR mn)

Maturity	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
12m	48.8	49.8	-	-	-	-
24m	38.8	13.9	-	-	71.0	74.6
36m	100.3	27.0	-	-	64.2	53.6
60m	97.5	39.3	-	-	41.2	92.4
84m	-	65.1	-	-	-	-
120m	86.9	-	-	-	69.7	-
180m	-	-	-	-	49.4	-
Total	372.3	195.1	-	-	295.5	220.6

Source: Ministry of Finance.

Accepted rate of issued euro-denominated government debt instruments, by maturity

Maturity	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
12m	0.5%	0.5%	-	-	-	-
24m	1.0%	0.7%	-	-	1.0%	0.8%
36m	1.2%	1.2%	-	-	1.3%	1.2%
60m	1.9%	1.8%	-	-	1.8%	1.5%
84m	-	2.5%	-	-	-	-
120m	3.5%	-	-	-	3.3%	-
180m	-	-	-	-	3.6%	-

Source: Ministry of Finance.

The prices of shares in the Belgrade Stock Exchange (BSE), measured by the BELEX15 index⁹ fell by 0.2% in Q2 2019 (the value of the index was 731.62 at end-June). The index fell by 0.2% over the past year.

The key policy rate equalled 3% at end-June 2019. The level of interest rates earned by funds on dinar assets in custody accounts mirrored movements in the key policy rate.

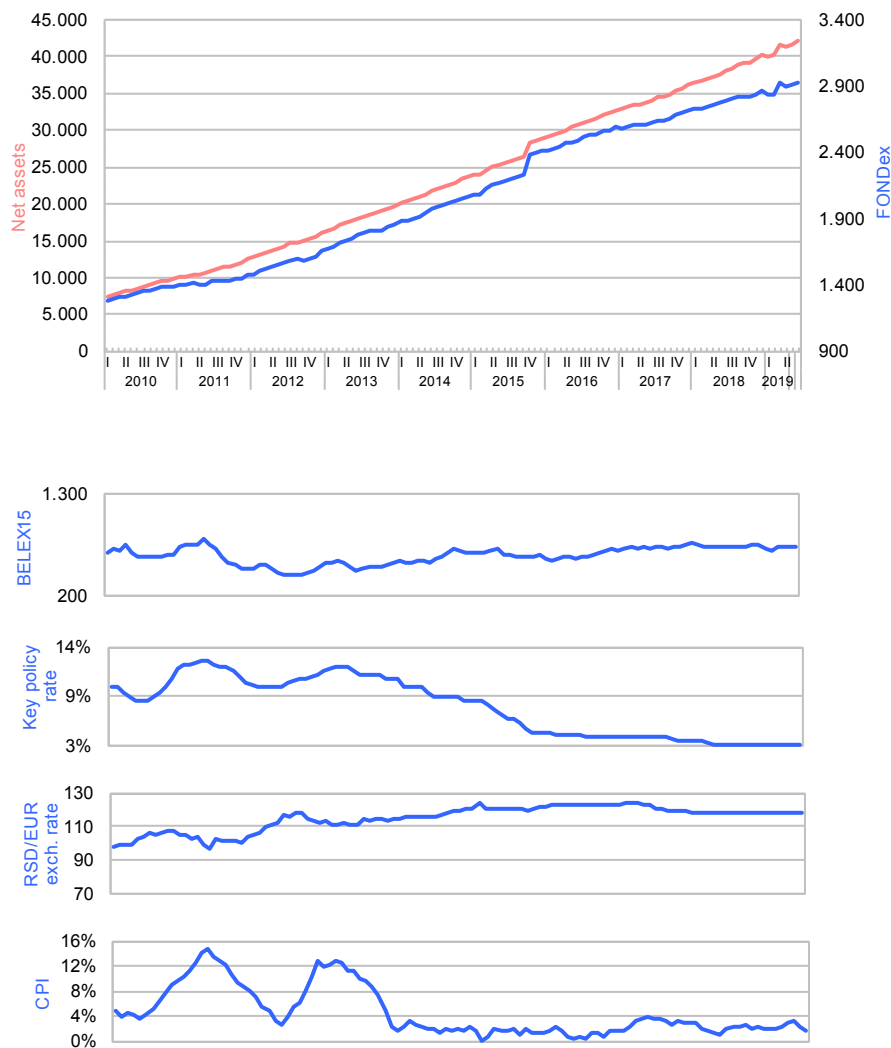
In Q2 2019, the dinar appreciated vis-à-vis the euro by around 0.05% relative to end-Q1. In the same period, the dinar gained 1.2% against the US dollar.

Price growth rates came at -0.3%, -0.3% and -0.2% in April, May and June, respectively. Consumer prices gained 1.5% in June 2019 year-on-year.¹⁰

⁹ Of the total investment in shares, the bulk pertained to the shares covered by BELEX15, which means that BELEX15 is a relevant benchmark for the shares in the funds' portfolio.

¹⁰ Source: Statistical Office of the Republic of Serbia.

Movements in net assets, FONDex and key indicators of VPF
(in RSD mn, units, %)



Source: National Bank of Serbia, Belgrade Stock Exchange, Statistical Office.

5. Fees charged by management companies

The Law on Voluntary Pension Funds and Pension Schemes sets out that management companies charge fees for their services and account transfer to fund members. Management company fees entail contribution and management fees. The account transfer fee may not exceed the actual transfer costs.

Though fees are among the parameters that members should consider when choosing a fund, they should not be viewed in isolation. The level of fees is contingent on the fund's investment policy and its investment activity. As a rule, more active funds, intended for younger persons who will pay contributions over a longer horizon, invest more in more complex instruments, assuming a higher degree of risk. Such funds are expected to post higher returns, hence their fees are higher. On the other hand, a fund investing passively in safer financial instruments should charge lower fees. A fund's investment policy, i.e. planned investment of the fund members' assets, the expected return, the level

of risk assumed by funds (and members), and fees charged by companies, should all be taken into account when opting for a fund.

The contribution fee is paid only once, as a front-load fee. Though visible in the first instance, it is not the largest cost incurred by a member.

The total amount of contribution fees paid in Q2 2019 amounted to RSD 17.5 mn and the level of the fee in the same period was 1.95% on average.

The management fee is calculated daily against the value of VPF net assets and is included directly in the investment unit value, meaning that the calculated and published investment unit value is exclusive of the management fee.

In Q2-2019, the amount of management fee came at RSD 129.3 mn, or 88% of total fees charged, rising by 4.4% q-o-q.

Over the past year, the management fee equalled RSD 498.1 mn, while profit of RSD 1.9 bn was earned in the same period.

Fees charged by management companies

(in RSD mn)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
													Q1	Q2
Contribution fee	42.9	56.9	54.9	59.4	57.9	60.1	58.7	55.4	53.0	56.8	61.0	18.4	16.2	17.5
Management fee	33.8	73.5	117.3	170.7	220.0	284.1	357.8	432.8	514.9	614.4	678.7	123.8	123.9	129.3

Source: National Bank of Serbia.

6. Trading in securities

In Q2 2019, VPF trading volume came at RSD 11.0 bn.

The average share of VPFs in BSE trading in this quarter was 5.8%.

VPF securities trading

(in RSD bn)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
										Q1	Q2
Securities trading	14.9	19.3	13.2	12.9	21.2	14.5	11.5	24.2	3.2	12.8	11.0
Purchases	8.1	10.6	7.1	9.0	12.1	7.9	6.4	14.7	1.9	7.4	6.4
Belgrade Stock Exchange	1.3	0.7	0.3	0.4	0.5	0.9	1.1	3.7	1.0	1.0	0.6
Unregulated market	0.3	1.3	0.1	0.7	0.9	1.8	1.1	5.8	0.9	3.8	3.5
Auctions of government secur	6.5	8.6	6.7	7.9	10.7	5.2	4.2	5.1	0.0	2.6	2.4
Sales	0.8	3.8	4.2	2.0	5.4	3.6	3.0	7.4	1.0	4.0	4.1
Belgrade Stock Exchange	0.6	0.4	0.3	0.6	0.3	0.5	1.9	2.7	0.5	0.0	0.6
Unregulated market	0.2	3.4	3.9	1.4	5.0	3.2	1.1	4.7	0.5	4.0	3.5
Maturity	6.1	4.9	2.0	2.0	3.7	2.9	2.1	2.2	0.3	1.4	0.4
Purchase to sale and maturity ratio	1.2	1.2	1.1	2.3	1.3	1.2	7.5	1.5	1.4	0.0	1.4
Share in total BSE trading (in%)	8.0%	3.8%	2.6%	3.4%	4.1%	6.1%	6.7%	33.0%	8.3%	9.1%	5.8%

Source: National Bank of Serbia, Belgrade Stock Exchange.

7. Transaction costs

Transaction costs incurred in the purchase, sale and transfer of securities (Central Securities Depository fees, stock exchange fees, tax charges) and the costs of current maintenance of real estate property that fund assets are invested in are charged against fund assets. Other costs are charged against the assets of management companies.

At end-Q2 2019, Central Securities Depository fees accounted for a bigger portion of transaction costs, charged against VPF assets, than stock exchange fees, whereas brokerage fees and custody bank fees accounted for an equal share of costs paid by management companies from their assets.

Amount of transaction costs

(in RSD mn)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
												Q1	Q2
Total	5.3	7.4	9.5	7.0	4.7	6.0	6.2	5.6	7.3	10.5	3.6	7.8	3.2
Brokerage fees	2.2	3.8	4.5	2.9	2.0	2.5	2.0	1.3	2.3	4.4	2.0	5.3	0.7
Custody bank fees	1.5	2.0	2.4	2.2	1.5	1.9	2.0	2.0	2.0	1.9	0.6	0.7	0.7
Stock exchange fees	0.8	0.4	1.1	0.8	0.3	0.6	0.6	0.8	1.0	1.8	0.7	0.5	0.3
Central Securities Depository fees	0.6	1.2	1.5	1.1	0.9	0.9	1.6	1.6	2.0	1.8	0.3	1.1	1.3
Other fees	0.2	-	-	-	-	0.1	0.0	-	0.0	0.6	0.2	0.2	0.2

Source: National Bank of Serbia.

8. Number and structure of VPF users

At end-Q2 2019, 197,525 users¹¹ were in the accumulation phase.¹² Total membership contracts¹³ in VPFs stood at 269,426.

VPF users accounted for 9.4%¹⁴ of the total number of employees.

Number of contracts and users

(in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
											Q1	Q2
No of contracts	215.7	220.4	234.4	240.4	244.5	252.1	258.1	250.5	253.9	261.7	267.0	269.4
No of users	165.2	166.8	174.9	179.8	183.5	188.0	190.5	183.6	185.4	192.3	195.7	197.5
Percentage of active users (in %)	36.0%	43.9%	35.1%	30.5%	30.3%	31.3%	25.3%	28.5%	33.6%	33.4%	33.8%	33.4%

Source: National Bank of Serbia.

¹¹ VPF membership has two phases – the accumulation phase (when contributions are made) and the withdrawal phase (when the accumulated funds are withdrawn).

¹² The number of users is the number of people who are members of VPF(s). This number is lower than the number of membership contracts, as there is a significant number of users with more than one membership contract in one or several VPFs.

¹³ The number of membership contracts is the sum total of individual membership contracts and the number of members of all pension schemes.

¹⁴ The source for the number of employees: NBS.

Structure of users by payment dynamics

(in units and %)

	Period	No of users	Share (%)
Users making contributions	1 month	65.997	33%
	3 months	73.140	37%
	6 months	76.438	39%
	12 months	82.076	42%
	From the start of membership (1)	175.493	89%
No holdings (2)		22.032	11%
Total (1+2)		197.525	

Source: National Bank of Serbia.

The amount of accumulated funds depends on the amount of contributions, return earned by funds, level of fees, and the length of the accumulation phase. As the level of contributions and the period of accumulation increase and funds earn returns, average balances in members' individual accounts go up. The average amount of funds accumulated in the accounts of members who have made at least one contribution payment was RSD 239.7 thousand.

At end-Q2 2019, the number of users who are members of two or more VPFs was 41,497 or 21% of the total number of users.

Average accumulated funds at end-period

(in RSD thousand)

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
											Q1	Q2
34.6	52.2	70.5	84.5	105.3	127.3	148.3	179.4	200.6	219.3	235.8	239.9	239.7

Source: National Bank of Serbia.

When it comes to gender composition and the respective amounts of funds, there were no significant changes in Q2 2019 relative to prior periods. Men remained dominant, accounting for around 57% of all users.

Number of users by number of funds in which they are members

(in units)

No of funds	No of users
1	156.028
2	33.935
3	7.338
4	199
5	20
6	3
7	2
Total	197.525

Source: National Bank of Serbia.

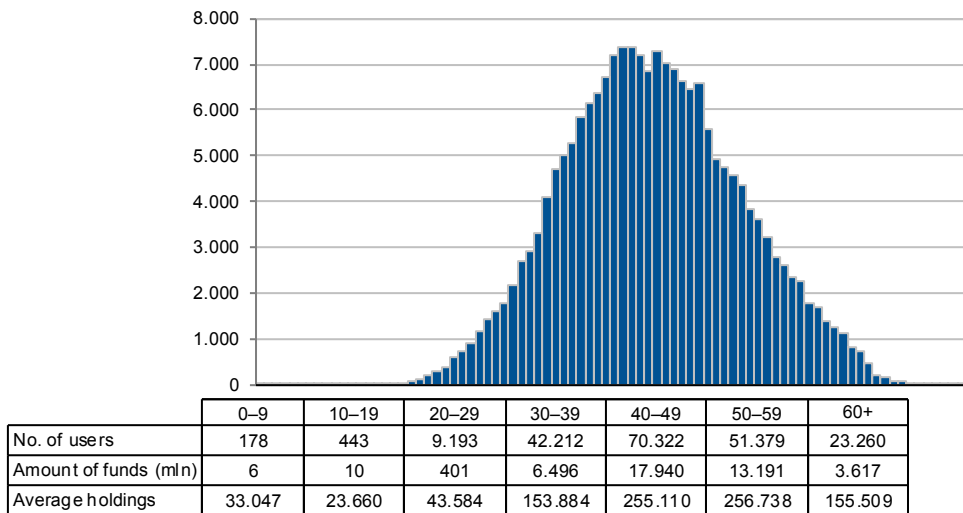
Number of users by membership contract

(in units)

No of contracts	No of users
1	142.638
2	42.128
3	9.583
4	2.378
5	588
6	159
7	37
8	10
9	2
10	2
Total	197.525

Source: National Bank of Serbia.

Distribution of users and accumulated funds by age
(in units, RSD)



Source: National Bank of Serbia.

The average age of VPF users at end-Q2 2019 was around 46 years, while the majority of users, around 62%, belong to the age category 40–60 years. The percentage of users above the age of 53 was similar as in prior years, accounting for 28% of the total.

9. Contributions, withdrawals and transfers

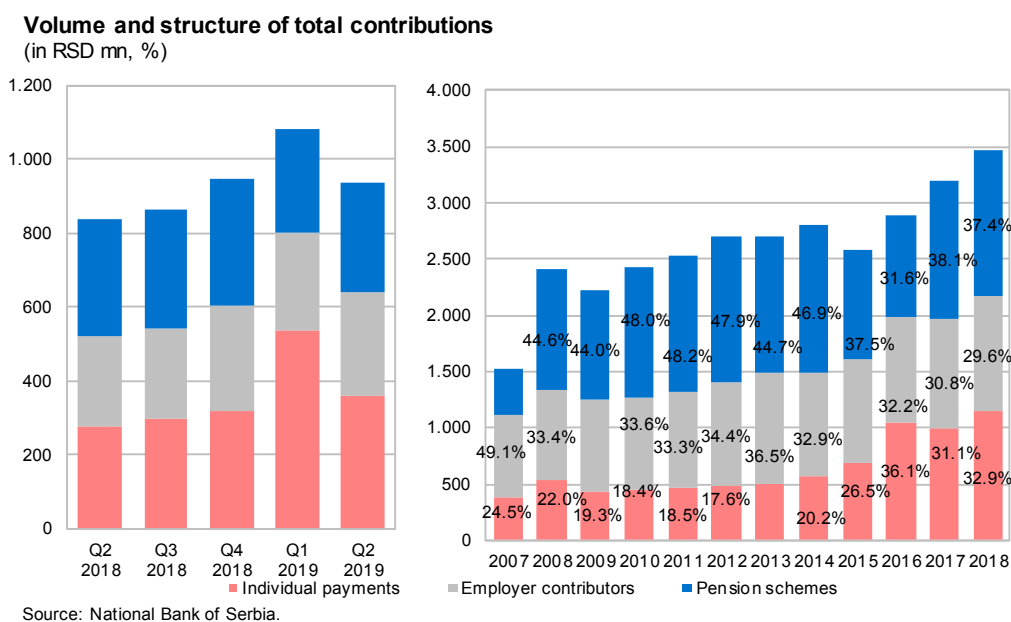
In Q2 2019, of total contributions, individual payments accounted for 39%, employer contributions for 30% and pension schemes for 31%. Total contributions to VPFs have recorded an increase for the past four years.

In Q2 2019, total net contributions came at RSD 918.12 mn.

Total contributions (in RSD bn)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
												Q1	Q2
1.50	2.25	2.22	2.43	2.53	2.70	2.70	2.80	2.58	2.89	3.19	3.47	1.08	0.94

Source: National Bank of Serbia.



Though the Law allows for individual contributions, most contributions are made through employers who, in this way, display a high level of responsibility towards their staff. Ample potential for further growth in the membership base are companies with high staffing levels. This way, employees and employers can save up since contributions from employer's funds up to RSD 5,872¹⁵ per employee per month are exempt from the household income tax and contributions for mandatory social insurance. Payments in the same amount made by the employer through wage garnishment are also tax-exempt. This represents an additional incentive to employees and employers to direct a part of the wage to saving in VPFs.

Withdrawals are generally lump-sum. Since the withdrawals are made by the members who fulfil the requirements and are not long-standing fund members, their accumulated sum is relatively small, and this kind of withdrawals is expected, even though it contradicts the nature of VPFs which assumes the use of accumulated funds over a longer period. The next period is likely to see an increase in scheduled and other types of withdrawals, with lengthening of the accumulation periods and increase in the accumulated sums.

Total withdrawals
(in RSD mn)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
												Q1	Q2
141.4	384.6	448.5	458.1	517.6	751.7	945.2	1213.4	1226.2	1195.6	1342.4	1412.0	461.2	479.0

Source: National Bank of Serbia.

¹⁵ Under Government decree, this amount is adjusted for previous-year inflation once a year.

Withdrawals rise from year to year, as a result of system development. Namely, as contributions and net assets increase and the VPF system matures, the amount of withdrawals will also rise in absolute terms.

In Q2 2019, total withdrawals came at RSD 479.0 mn.

Transfers represent inter-fund transfers. A member may transfer a part or all of his assets from one fund to another, covering only the actual transfer costs.

In Q2 2019, transfers equalled RSD 55.4 mn.

Total inter-fund transfers
(in RSD mn)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
												Q1	Q2
19.5	235.1	141.5	216.1	165.9	72.3	137.2	126.3	219.7	267.5	263.0	229.7	46.4	55.4

Source: National Bank of Serbia.

10. Financial statements

10.1. Regulatory framework

Separately from their own, management companies also keep business books and compile financial statements for the VPFs they manage.

According to the Law on Voluntary Pension Funds and Pension Schemes, a management company is required to submit to the NBS annual financial statements of the company, within which it separately presents the financial statements of the funds that it manages, with the external auditor's report, until 31 March of the current year for the preceding year.

NBS decisions regulate the content and layout of forms of financial statements of VPF management companies and VPFs, requiring the submission of balance sheet, income statement, cash flow statement, statement of changes in equity, statement of other comprehensive income, and statistical report of a management company, as well as the balance sheet – statement of net assets, income statement, statement on changes in net assets and cash flow statement of a VPF.

10.2. Financial statements of VPF management companies

Balance sheet total of management companies as at 31 December 2018 amounted to RSD 1,276 mn, which is a decrease of around RSD 164 mn (11.41%) relative to 2017 when it stood at around RSD 1,440 mn.

A decrease in the balance sheet total resulted from the contraction in profit realised by management companies in 2018, due to the reduction in the management fee from 2% to 1.25%, and the consequent shrinking of income on that account, as well as due to profit distribution in some management companies. The major part of assets was invested in securities of the Republic of Serbia (36% of total assets, vs. 37% in 2017). On the other hand, the share of equity capital in total liabilities

remained broadly unchanged, so at end-2018 total equity made up 94% of liabilities (2017: 95%). Liquidity of management companies was very high.

Management companies are required to keep equity above the statutory minimum which equals EUR 1 million in the dinar equivalent. At the industry level, the ratio of total equity to statutory minimum was 2.5 (end-2017: 2.9).

A management company's equity per user was around RSD 6,246 (end-2017: RSD 7,362). In 2018, this indicator dropped by around 15%, as total equity at sector level went down. At end-2018, every dinar of VPF net assets was covered with 0.03 dinars of VPF equity (0.04 dinars at end-2017).

	2014	2015	2016	2017	2018
Total equity ratio	1.96	2.42	2.6	2.88	2.54
Equity per user	5,046	6,168	6,991	7,362	6,246
Equity to total net assets ratio	0.04	0.04	0.04	0.04	0.03

In 2018, management companies continued to operate at a profit. As all companies recorded a positive result in 2018, their total profit was around RSD 188 mn (2017: RSD 346 mn). It should be noted, however, that a management company's result does not affect the assets of fund members as company assets are separated from fund assets.

In 2018, all companies earned a profit from fund management. Income from core activity consisted of contribution fees (RSD 66 mn) and management fees (RSD 473 mn), which were by around RSD 199 mn lower in 2018 compared to 2017 (RSD 672 mn). Contribution fees increased by 8.6% from a year earlier, while management fees decreased by 29.6%. The said fee income made up around 87% of all income made by management companies (2017: 91%). Total VPF management expenses (relating to investment of VPF assets, marketing expenses, custody charges, brokerage fees and other fund management expenses) are at the same level as in 2018, i.e. they amounted to around RSD 52 mn, so the profit generated from VPF management was around RSD 487 mn (2017: RSD 681 mn).

Interest income also made up a significant share of total income, at around RSD 47 mn in 2018, or around 8% of total income (2017: RSD 55 mn).

Expenditures were dominated by wage costs which came at around RSD 230 mn (2017: RSD 219 mn) or 58% of total expenditures.

In 2018, management companies generated ROE of 14.7% (2017: 26.1%), while ROA came at 13.9% (2017: 24.7%).

	2014	2015	2016	2017	2018
ROE	25.3%	25.4%	26.5%	26.1%	14.66%
ROA	24.1%	24.1%	25.1%	24.7%	13.86%

Profit per user	1,188	1,424	1,742	1,873	996.18
Profit per contribution	0.08	0.10	0.11	0.10	0.05
Ratio of fee revenue to number of users	2,618	2,987	3,568	3,974	2,854.7
Ratio of fee revenue to total revenue	85%	87%	89%	91%	88%

10.3. Financial statements of VPFs

Total VPF assets as at 31 December 2018 amounted to almost RSD 40.3 bn, vs. RSD 36.3 bn at end-2017, so the year 2018 saw an increase of around RSD 4 bn, or 10.9%. Government securities remained dominant, making up around 84% of total fund assets, same as at end-2017.

VPF liabilities, comprising liabilities to the management company, liabilities under membership and other operating liabilities, amounted to around RSD 79 mn at end-2018 (2017: RSD 166 mn). As at 31 December 2018, VPF net assets came at around RSD 40.2 bn, i.e. total net assets increased by around RSD 4 bn, or 11% relative to 31 December 2017 (end-2017: VPF net assets equalled around RSD 36.2 bn).

In 2018, all seven VPFs posted positive results, so the total profit of the industry was around RSD 2 bn (2017: the profit was around RSD 1.6 bn).

Total income generated in 2018 amounted to around RSD 8 bn (2017: RSD 5.6 bn), while total VPF expenses equalled around RSD 6 bn (2017: RSD 4.1 bn).

Ratio of profit to average total VPF assets in 2018 measured 5.3% (2017: 4.6%), which means that VPFs make on average 0.05 dinars of profit per one dinar of assets.

	2014	2015	2016	2017	2018
Rate of return on total assets	10.7%	15.2%	7.4%	4.6%	5.3%