

FLOW OF FUNDS REPORT

IV

TUYID Q1 2014

January, 2014

Dear Readers,

This volume of the Flow of Funds Report, which provides important insight about the inflow and outflow of funds, as well as investment types, regions and top sellers and buyers and other important information related to Turkish market and international investments as well as key cities for road shows, is prepared for your attention.

We, as TÜYİD and IPREO, believe that the report will be an important guide to shed light on trends with regard to international flows, which will facilitate the investor relations professional's operations.

Selling of Turkish equities in Q1 was extremely limited in comparison with heavy selling of both Hungary and Russia (Poland was the only comparable region to register inflows) and, just as positively, selling was largely confined to index investors who made up \$144M of net sales where growth and value investors combined bought a net \$122M of Turkish stocks. This is an encouraging result at a time when growth investors spent much of 2013 preferring developed to emerging markets. The UK replaced North America as the largest buying region, consolidating London's position as the most invested city, with 73 firms holding \$5.3B of investment – an increase of \$296M since Q4 2013. In terms of stocks, financials were by far the most bought stocks and energy was heavily sold.

Where Turkey saw net outflows of \$21.7M in Q1 2014 Russia saw outflows of \$2.06B and Hungary of \$617.5M – a scale of divestment which makes the index-driven Turkish result look very positive in contrast. Good US and in particular UK demand is also heartening.

This Report is prepared by IPREO, in cooperation with TÜYİD, using IPREO's database. We trust it will continue to provide an important insight for the market players and will be published quarterly for your attention.

IPREO
MD for Corporate/Data & Analytics for EMENA
Nick Arbuthnott

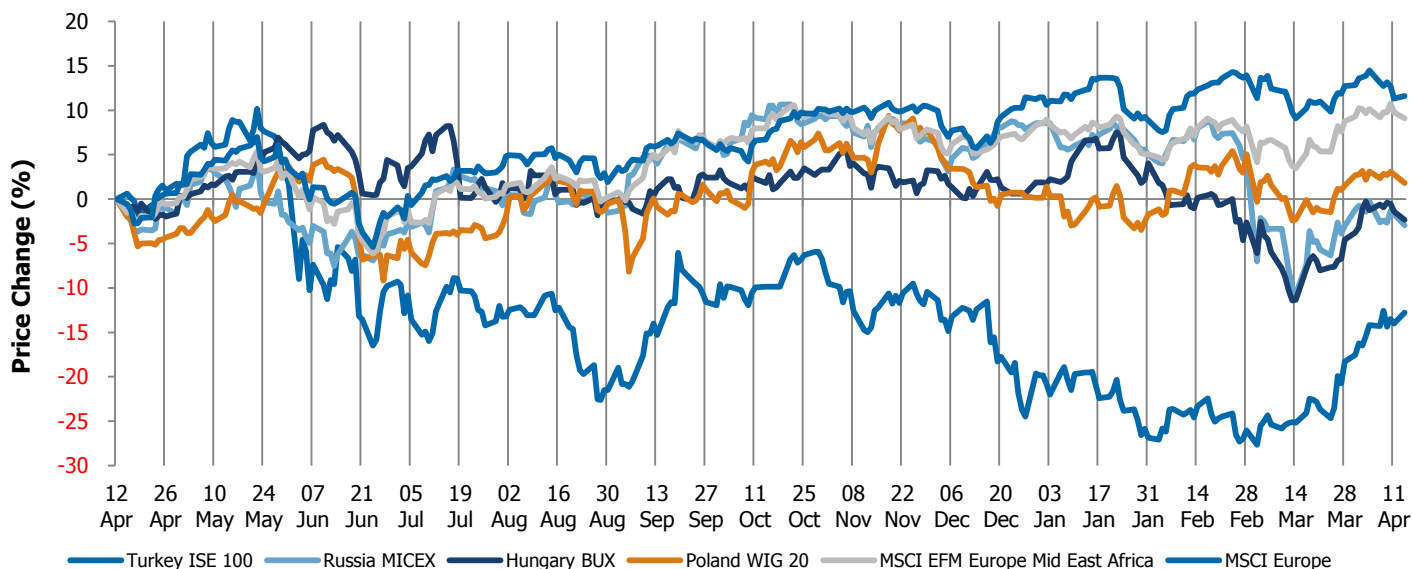
TÜYİD Turkish IR Society
Chairman
Abdullah Orkun Kaya

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Price performance:

The BIST National 100 has remained the weakest performer in the basket since June 2013. As of April 2014 it had recovered substantially from its March low of -27.6% (as of calendar year start of April 2012) but remains 12.7% off for the calendar year where the next weakest performers, the Hungary BUX and the Poland WIG, are both 1.4% off.



Q1 Inflows and Outflows:

Turkish equity inflows of Q3 and Q4 2013 have halted but there is no sign as yet of significant net sales outside of index investment. Overall activity was close to zero (inflow or outflow) with growth and value investors retaining interest while index investors sold. This compares sharply with massive outflows from Russia (in Q1 2014 double the previous major period of selling in Q3 2013) and heavy selling of Hungary (where outflows in Q1 were three times higher than in Q4 2013). Poland saw modest selling for the second successive quarter making Turkey the only one of the markets to remain in favour (with active investors at least).

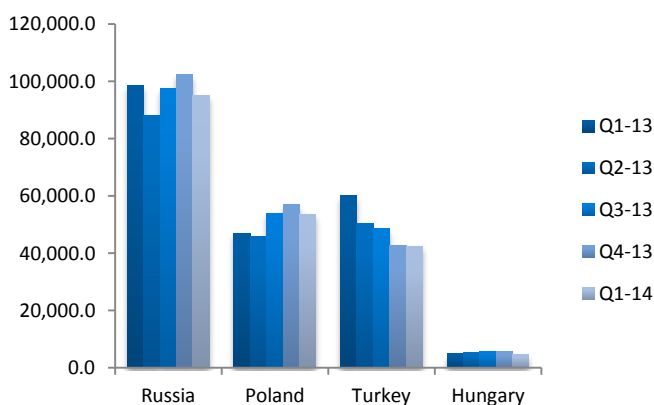
"Emerging markets were hurt by general concerns about the slowdown in credit growth and the potential for a sharp rise in defaults in wealth products in China. On the political side, there was increasing social unrest in Brazil, Venezuela and Thailand as well as rising geopolitical tension in Turkey and Ukraine." JP Morgan Monthly Market Review, 7 April 2014

(<http://insights.jpmorgan.co.uk/adviser/commentary-and-analysis/monthly-market-review-q1-2014/>)

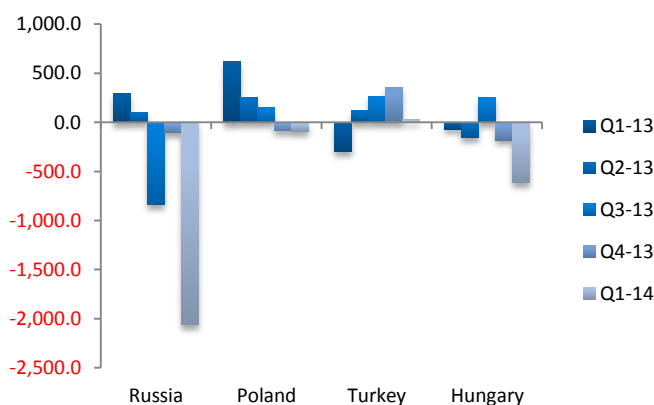
"Emerging markets are the big drag, as far as most experts are concerned, particularly those with large current account deficits, such as Turkey who are feeling the hit of US tapering of quantitative easing and slower growth in economies such as China." FT Spring investment Monitor 17 March 2014

(<https://www.ftadviser.com/2014/03/17/our-publications/special-reports/spring-investment-monitor-march-OWdxN6arbWIKOwvofJy3gl/article.html>)

Institutional Investment in Region (\$M Value)



Institutional Investment in Region - Net Change (\$M Value)



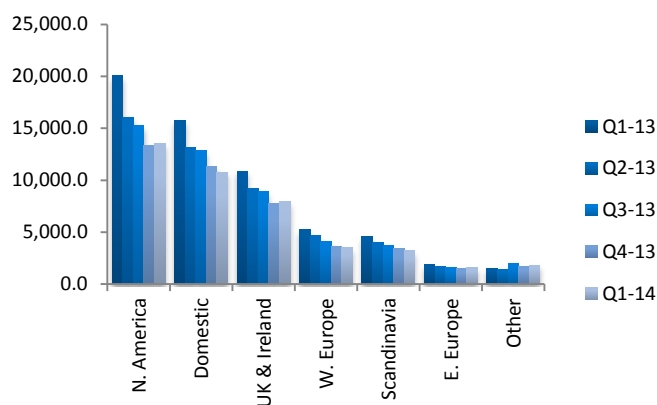
Q1 – Investment by Investor Region:

Overall institutional investment in Turkish securities decreased among Western European and Scandinavian investors with East Capital (who had been net investors in Q4 2013 selling \$61M) selling \$99M, SKAGEN AS selling for the second quarter and Handelsbanken leading the Scandinavian sales, Deutsche Asset & Wealth Management and BNP Paribas Asset Management the WEU sales. WEU investors were the equity sceptics of 2013 (selling even local WEU equities when all other investor regions were buying heavily) and are repeating in Q1 2014 their scepticism towards the Turkish market which they displayed in Q3 2013.

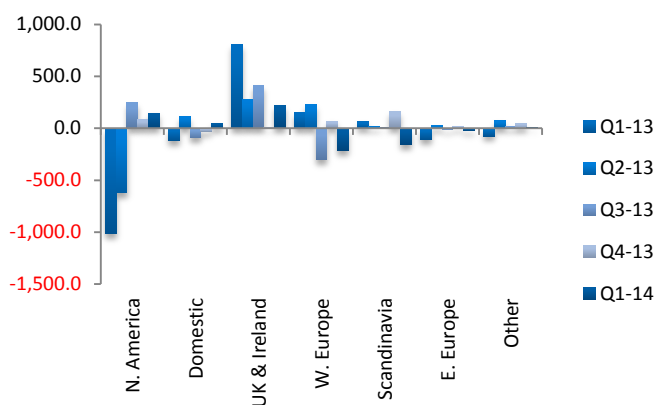
North American investors in contrast were net buyers of Turkish equities for the third quarter in a row and bought more in Q1 2014 than they had in the preceding quarter. The Q4 influx of investment by OppenheimerFunds, Inc. continued in Q1 2014 seeing them the second largest buyer of Turkey after the UK's BlackRock Investment Management who helped drive net UK inflows into Turkey in Q1 ahead of North American inflows. BlackRock were joined by Carmignac (UK), Fidelity International Ltd. and JP Morgan. Aberdeen Asset Managers, LTD (U.K.) on the other hand sold out at three times the rate of Q4, disposing of \$168M against \$58M in Q4 2013.

However, Aberdeen Asset Managers, LTD (U.K.) still remains the largest holder of Turkish securities valued at \$1.4B comfortably ahead of Lazard Asset management (US) and Norges Bank Investment Management..

Institutional Investment by Region (\$M Value)



Institutional Investment by Region - Net Change (\$M Value)



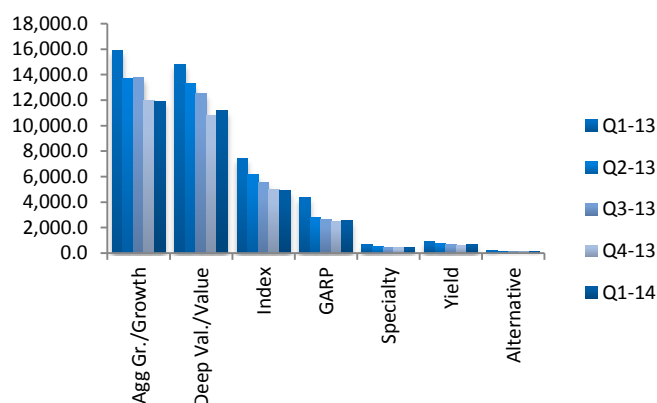
Q1 – Investment by Style:

Growth investment in Turkish equities remains positive but has fallen for the second successive quarter. Value investment by contrast moved from negative to positive in Q1 where index funds moved in the opposite direction. The high level of growth investors in developed as opposed to emerging markets in 2013 remains a key issue for this year; Turkey needs to regain the level of their interest of Q3 2014.

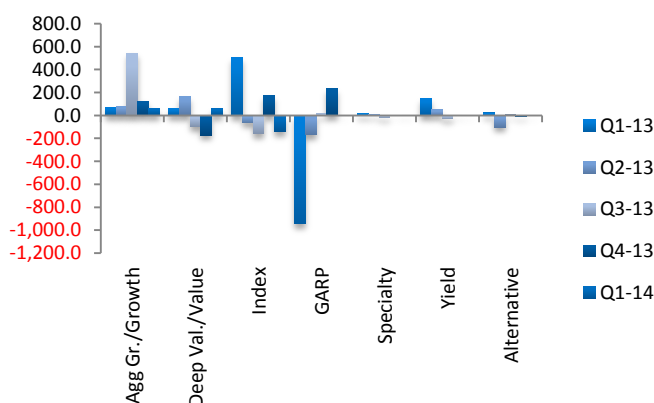
"The Turkish market has been under pressure recently, affected by politics and concerns over tapering by the US Federal Reserve. The economy will likely face headwinds in the short term, and we see risks to earnings estimates from higher financing costs. Our positioning remains relatively cautious – but we note that valuations are approaching levels that indicate in our view a good entry point." Jupiter Emerging European Opportunities Fund, March 2014.

<http://www.jupiteronline.com/~media/Literature/Factsheets/Unit%20Trust/Emerging%20European%20Opportunities%20Fund%20Factsheet.pdf>

Institutional Investment by Style (\$M Value)



Institutional Investment by Style - Net Change (\$M Value)

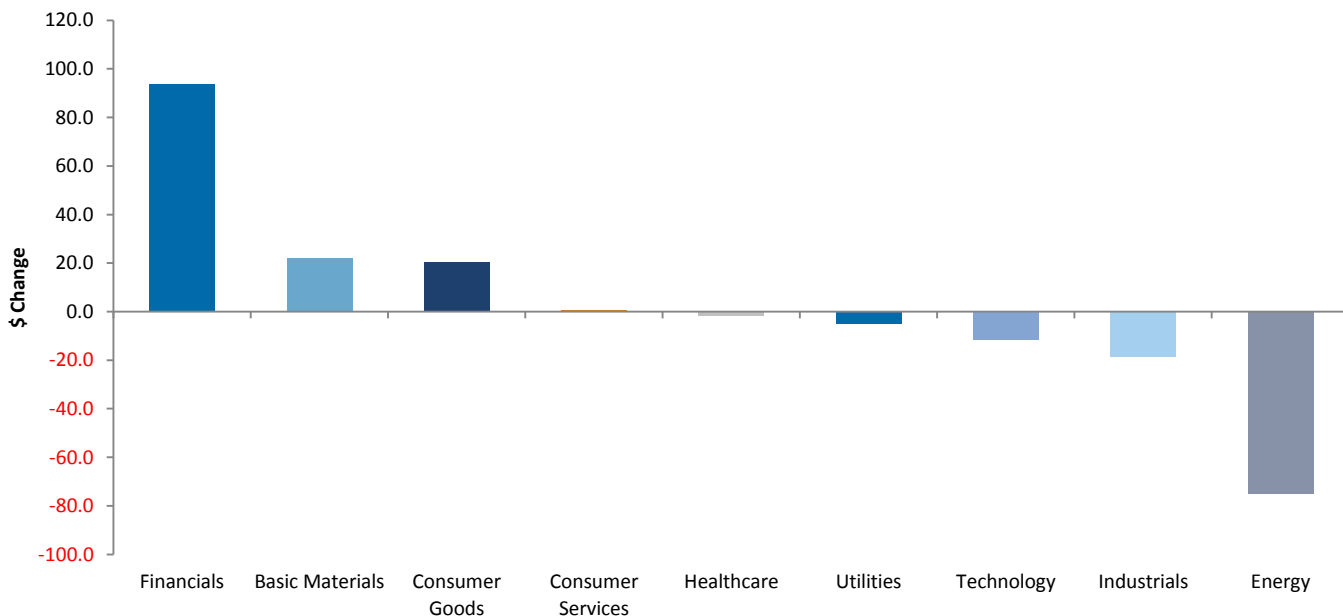


Top Holders, Buyers & Sellers:

TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	110,705.7	1,404.6	-167.7	1.3	-10.7
Lazard Asset Management, LLC (U.S.)	United States	Value	Low	74,990.0	1,267.1	-16.9	1.7	-1.3
Norges Bank Investment Management (Norway)	Norway	Value	Low	518,093.9	1,257.8	0.0	0.2	0.0
OppenheimerFunds, Inc.	United States	Growth	Medium	135,708.5	1,222.0	125.4	0.9	11.4
Dodge & Cox	United States	Deep Value	Low	143,863.0	932.4	113.1	0.6	13.8
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	319,530.0	760.3	180.8	0.2	31.2
APG Asset Management N.V.	Netherlands	Yield	Low	129,015.4	634.2	0.0	0.5	0.0
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,082.0	628.7	16.1	0.6	2.6
BNP Paribas (Suisse) S.A.	Switzerland	Deep Value	Low	n/a	531.9	0.0	n/a	0.0
Genesis Investment Management, LLP	United Kingdom	Growth	Low	22,992.2	524.8	0.5	2.3	0.1
				9,163.9	251.3			
TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	319,530.0	760.3	180.8	0.2	31.2
OppenheimerFunds, Inc.	United States	Growth	Medium	135,708.5	1,222.0	125.4	0.9	11.4
Dodge & Cox	United States	Deep Value	Low	143,863.0	932.4	113.1	0.6	13.8
Carmignac Gestion Luxembourg S.A. (UK)	United Kingdom	Growth	Very High	1,598.7	34.4	34.4	2.2	Buy-in
Kairos Partners SGR S.p.A.	Italy	GARP	Very High	706.9	37.5	32.8	5.3	700.7
Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	85,404.9	295.8	30.5	0.3	11.5
MFS Investment Management	United States	Value	Low	230,616.4	203.6	21.5	0.1	11.8
Invesco Advisers, Inc.	United States	Growth	Low	176,896.1	327.4	17.7	0.2	5.7
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,082.0	628.7	16.1	0.6	2.6
Lazard Asset Management, LTD (U.K.)	United Kingdom	Value	Medium	5,706.3	36.3	13.6	0.6	60.1
				4,478.4	586.0			
TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	110,705.7	1,404.6	-167.7	1.3	-10.7
Fidelity Management & Research Company	United States	Growth	Medium	795,132.3	349.9	-106.4	0.0	-23.3
East Capital Asset Management AB	Sweden	GARP	High	2,215.3	249.7	-98.8	11.3	-28.3
SKAGEN AS	Norway	Value	Low	16,578.1	420.4	-45.7	2.5	-9.8
Morgan Stanley Investment Management Inc.	United States	Growth	Medium	66,789.2	101.6	-41.1	0.2	-28.8
Deutsche Asset & Wealth Management Investment Gmb	Germany	Value	Medium	59,768.3	182.9	-31.0	0.3	-14.5
J.P. Morgan Asset Management (U.K.), LTD (Moscow Bran	Russian Federation	Growth	Low	3,109.9	110.2	-25.8	3.5	-19.0
Lazard Asset Management, LLC (U.S.)	United States	Value	Low	74,990.0	1,267.1	-16.9	1.7	-1.3
BNP Paribas Asset Management (France)	France	Growth	Medium	31,751.3	113.0	-12.2	0.4	-9.7
Handelsbanken Asset Management (Sweden)	Sweden	Value	Medium	28,999.8	42.9	-10.7	0.1	-20.0
				4,242.3	-556.3			

Includes Investors with EUM greater than \$100M; Excludes Passive/Index Investors

Sector Inflows/Outflows:



Road show:

London and New York are still the 2 key cities for road show activities, having the most investors and the largest investment in Turkish equities but London outstripped New York in Q1 with net inflows of \$296M against New York's \$78M. London also has a significantly higher proportion of its total assets invested in Turkey than New York. Stockholm and Boston saw the biggest outflows with Western European cities making up three of the five selling cities.

Most Invested

Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,570,043.1	5,347.7	296.2	73
United States (New York)	1,799,496.1	2,973.8	77.7	33
United Kingdom (Aberdeen)	110,705.7	1,404.6	-167.7	1
Norway (Oslo)	543,589.5	1,287.7	0.4	4
United States (San Francisco)	289,119.4	1,025.3	112.3	5
Sweden (Stockholm)	187,996.5	987.6	-110.2	12
Switzerland (Geneva)	71,637.9	705.6	1.5	7
United States (Boston)	1,740,345.4	676.3	-102.6	12
Netherlands (Amsterdam)	137,426.3	637.0	0.0	2
Singapore (Singapore)	130,934.3	527.9	4.3	10
<i>Excludes Passive/Index Investors</i>		15,573.6	111.8	159

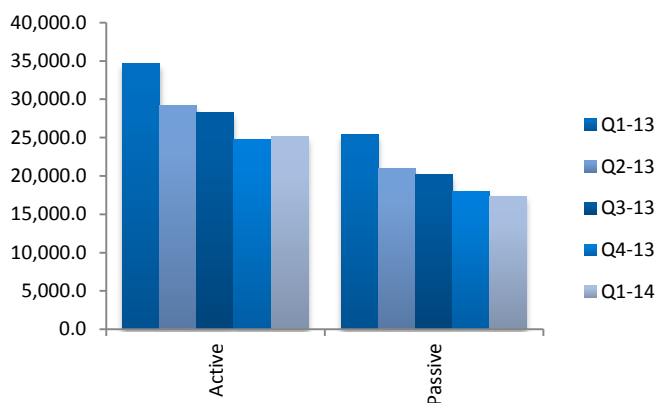
Most Investors

Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,570,043.1	5,347.7	296.2	73
United States (New York)	1,799,496.1	2,973.8	77.7	33
Japan (Tokyo)	316,654.1	237.2	-2.3	17
Poland (Warsaw)	14,735.7	374.6	0.0	15
South Korea (Seoul)	57,343.0	36.7	0.0	15
Canada (Toronto)	361,667.4	141.3	3.6	13
Sweden (Stockholm)	187,996.5	987.6	-110.2	12
United States (Boston)	1,740,345.4	676.3	-102.6	12
France (Paris)	210,865.4	477.8	-21.8	12
Austria (Vienna)	9,853.1	223.2	-5.3	11
<i>Excludes Passive/Index Investors</i>		11,476.2	135.3	214

Active vs. Passive investors:

Index investment into the Turkish market continues to seesaw from positive to negative where active investment remains positive albeit at sharply reduced levels. Recent optimism – and severe troubles in other emerging markets – should support a return of higher inflows.

Active vs Passive \$M Value



Active vs Passive \$M Change

