

FLOW OF FUNDS REPORT

TUYID Q1 2017



May, 2017

Dear Readers,

We are happy to present the Flow of Funds Report for the first quarter of 2017. Our report offers detailed insight on the funds flow by investment type and regions as well as top buyers and sellers in the Turkish market. We also provide key investor hubs for road shows and trust the Report will be an important asset in IR planning and investor targeting.

Investment in Turkish equities continued for the second consecutive quarter with net investments of \$323M, which was mainly led by North American investors which increased their exposure by \$339M while all other regions were relatively flat in investment terms. Russia saw the highest investment in Q1 with \$606M (somewhat smaller than the previous quarter), while Polish equities saw an increase of \$555M. Hungarian equities were relatively flat with net increases of \$38M.

This Report is prepared quarterly by IPREO, in cooperation with TÜYİD, using IPREO's database. We look forward to any feedback you may have.

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Price performance:

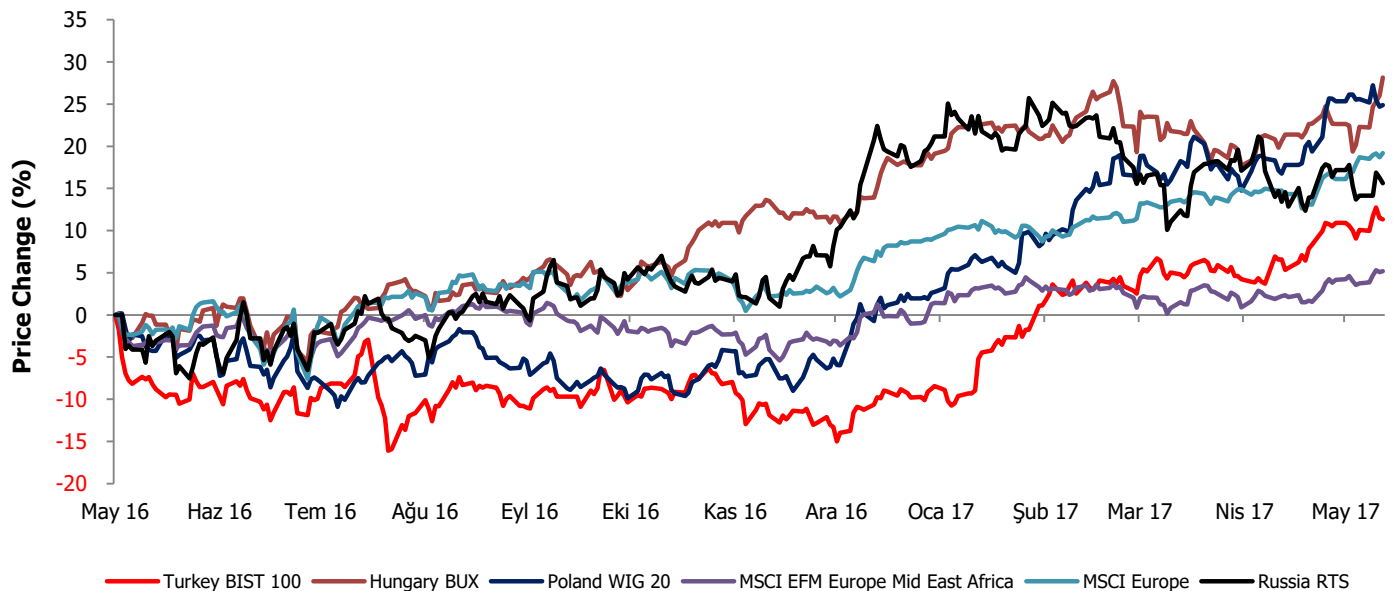
Over the twelve months to May 2017, the BIST National Index rose by 11.3% outperforming the MSCI EFM Europe Mid East Africa Index which increased by only 5.2%, and only slightly behind the Russia RTS Index which posted an increase of 15.6% over the same period. The Hungary BUX Index and the Poland WIG 20 Index continue to show signs of strength with increases of 28.2% and 24.9% respectively; while the MSCI Europe Index posted net gains of 19.2%.

“Emerging market equities rallied again in March, as global sentiment remains strong, particularly in emerging markets where loose fiscal and monetary policy is supportive for growth. The MSCI Emerging Markets Index was higher by 2.03% for the month. This marks the fourth consecutive advance and the ninth increase over the last 10 months, as investors continue to deploy capital back into emerging markets after chopiness in previous years.

Eastern European equities were mostly higher, with five out of six countries advancing. Russia rebounded 1.6% after declines in the prior two months, followed by Greece and Turkey. Meanwhile Hungary declined 2.0% for the month, representing the lone country laggard in the region.”

Allianz Emerging Markets Equity, April 2017

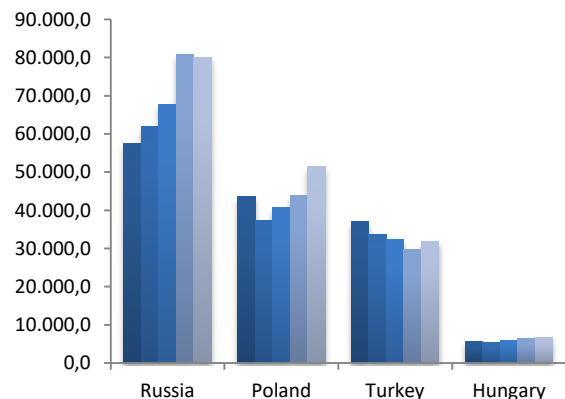
<http://www.allianzglobalinvestors.de/MDBWS/doc/17-1171+Allianz+Emerging+Markets+Equity+-+Commentary+AP1602.pdf?1c89652aa835377ef74b0060587784072ac9972d>



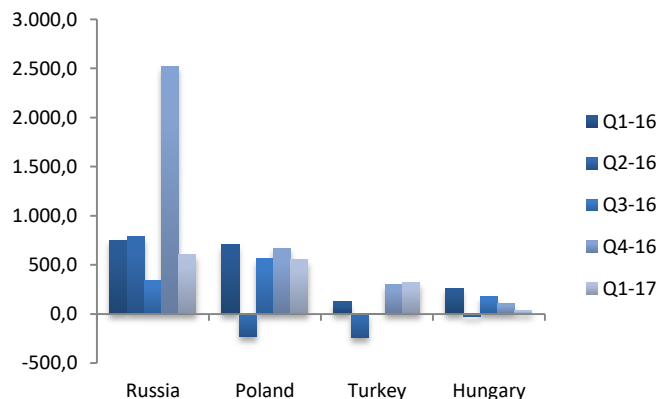
Q1 Inflows and Outflows:

The positive sentiment in Turkish equities seen in Q4-16, continued to the end of Q1-17 with a further \$323M invested into the market. Russian and Polish equities continued to show signs of strength with net purchases of \$606M and \$555M respectively. Hungarian stocks saw a relatively flat return over the quarter with net purchases of just \$38M.

Institutional Investment in Region (\$M Value)



Institutional Investment in Region (\$M Change)





Q1 – Investment by Investor Region:

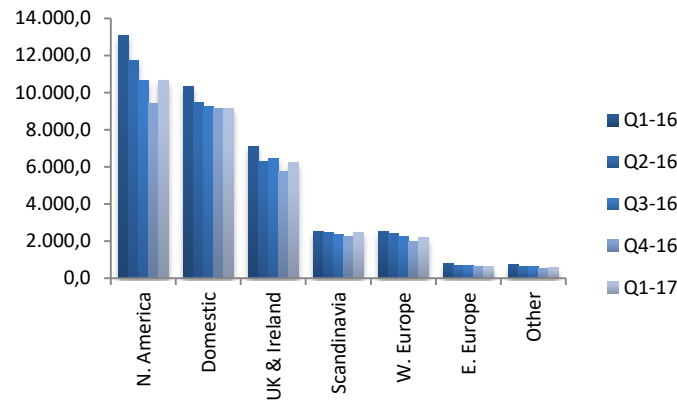
North American investors continue support to the market, increasing their exposure for the second consecutive quarter with net purchases of \$339M – this was mainly down to Lazard Asset Management, LLC (U.S.) with a net increase of \$74M; with OppenheimerFunds Inc and Fidelity Management & Research Company increasing their combined exposure by almost \$100M (\$50M and \$49M respectively). On the back of two positive quarters, UK & Ireland based investors switched to negative sentiment with net sales of \$27M, which was led by Schroder Investment Management, LTD (-\$48M) and Lazard Asset Management, LTD (U.K.) (-\$40M). W. Europe investors were the only other region to see net buys in the region, although this was relatively flat with an aggregated increase of just \$24M.

“Positive sentiment continued in March 2017 for Turkish assets. CBT’s cautious stance was kept in March meeting which is supporting Turkish Lira relative to EM universe. Although Fixed Income market was slightly negative due to high inflation readings, Equity Market was quiet strong at the same period. To us, relatively strong risk appetite for especially Turkish equities can be related to two main drivers. First, continuing EM fund flows after Trump’s victory of US presidential elections. Second, Turkish GDP growth data of 4Q2016 was realized at better than expected. This data increased 2017 GDP growth expectations, as well BIST 100 Index started the month at 87.478 level and ended at 88.947. USDTRY parity started the month at 3.6387 level and ended at 3.6344. 10 year treasury rates started at %10.88 and finished the month at %10.93 level.”

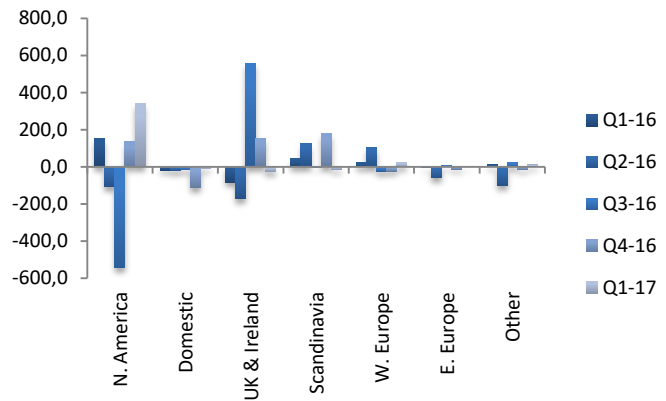
Garanti Turkish Equity Fund, March 2017

<https://www.gpy.com.tr/media/2170/garanti-turkish-equity-fund.pdf>

Institutional Investment by Region (\$M Value)



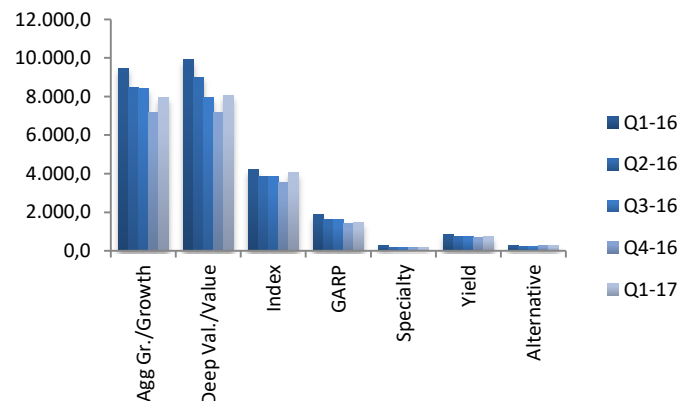
Institutional Investment by Region (\$M Change)



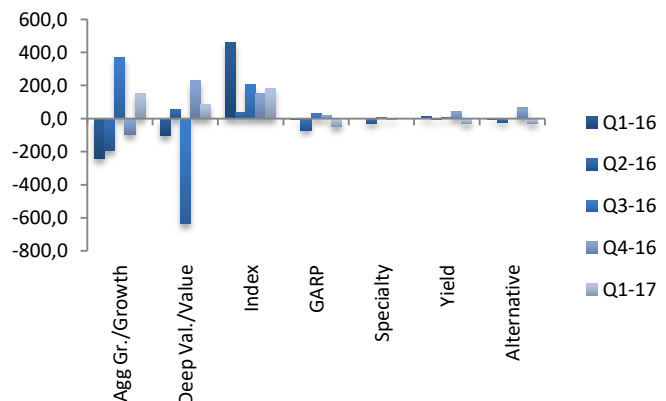
Q1 – Investment by Style:

Value investors continued to their positive sentiment to the market for the second quarter with the aforementioned US based Lazard Asset Management leading the way, with Netherlands based Robeco Institutional Asset Management BV being a new entrant to the top buyers (+\$42M). Growth investors switched again, with an increased exposure of \$152M mainly down to North American and UK based investors both up \$86M and \$75M respectively. Index investors were the dominant style over the quarter with an aggregated increase of \$183M, with San Francisco based BlackRock Fund Advisors posting an increase in position of \$129M.

Institutional Investment in Region (\$M Value)



Institutional Investment in Region (\$M Change)





Top Holders, Buyers & Sellers: Q1

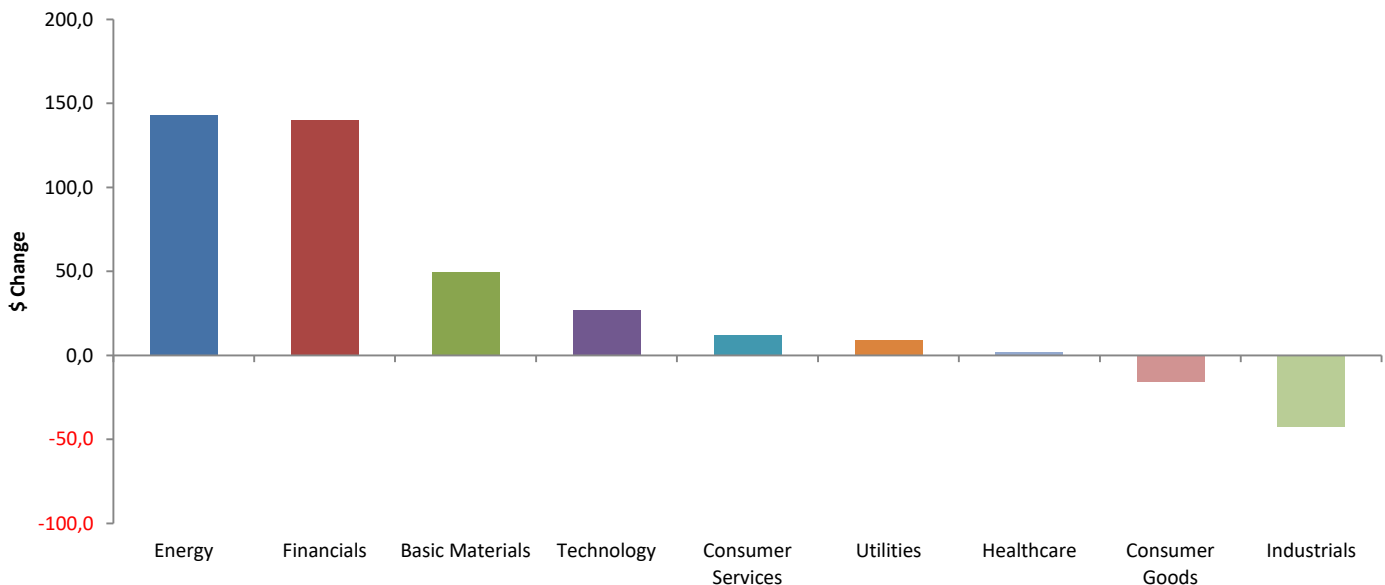
TOP HOLDERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg	
Aberdeen Asset Managers, LTD (U.K.)	United Kingdom	Growth	Low	103,306.1	1,462.3	1.7	1.4	0.1	
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	86,929.6	1,102.5	73.6	1.3	7.2	
Norges Bank Investment Management (Norway)	Norway	Value	Low	590,244.8	1,027.4	0.0	0.2	0.0	
APG Asset Management N.V.	Netherlands	Yield	Low	147,180.7	693.5	0.0	0.5	0.0	
Genesis Investment Management, LLP	United Kingdom	Growth	Medium	25,248.0	678.7	3.4	2.7	0.5	
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	330,026.3	483.2	33.0	0.1	7.3	
Grantham Mayo Van Otterloo & Co., LLC	United States	Value	Medium	42,636.9	436.8	16.6	1.0	4.0	
J.P. Morgan Asset Management (UK), LTD	United Kingdom	Growth	Medium	105,035.3	363.6	15.2	0.3	4.4	
OppenheimerFunds, Inc	United States	Growth	Medium	147,092.4	363.1	49.7	0.2	15.8	
Silchester International Investors, LLP	United Kingdom	Value	Low	19,917.4	362.7	0.0	1.8	0.0	
				6,974.0	193.2				

TOP BUYERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg	
Lazard Asset Management, LLC (U.S.)	United States	Value	Medium	86,929.6	1,102.5	73.6	1.3	7.2	
OppenheimerFunds, Inc	United States	Growth	Medium	147,092.4	363.1	49.7	0.2	15.8	
Fidelity Management & Research Company	United States	Growth	Low	842,526.2	274.9	48.5	0.0	21.4	
Robeco Institutional Asset Management BV	Netherlands	Value	Medium	35,392.8	214.1	42.1	0.6	24.5	
BlackRock Investment Management (U.K.), LTD	United Kingdom	Growth	Low	330,026.3	483.2	33.0	0.1	7.3	
Invesco Advisers, Inc.	United States	Growth	Low	177,052.9	359.8	26.8	0.2	8.1	
Fidelity International Limited - FIL Investment Services (L	United Kingdom	Growth	Medium	95,188.3	61.8	24.6	0.1	66.2	
Capital World Investors (U.S.)	United States	Value	Low	590,227.9	265.4	23.2	0.0	9.6	
Capital Research Global Investors (U.S.)	United States	GARP	Low	413,715.4	87.5	22.1	0.0	33.7	
Wellington Management Company, LLP	United States	Value	Low	463,362.0	42.4	20.4	0.0	92.4	
				3,254.8	363.9				

TOP SELLERS	Country	Style	Turnover	Equity Assets (\$M)	Value (\$M)	Change (\$M)	% Portfolio	% Portfolio Chg	
Schroder Investment Management, LTD	United Kingdom	GARP	Medium	101,574.5	231.2	-47.8	0.2	-17.1	
Lazard Asset Management, LTD (U.K.)	United Kingdom	Value	Medium	8,601.6	64.6	-40.0	0.8	-38.2	
William Blair & Company, LLC (Investment Management)	United States	Agg. Growth	Medium	50,552.3	60.0	-38.7	0.1	-39.2	
Templeton Global Advisors, LTD	Bahamas	Value	Low	42,021.0	164.2	-32.1	0.4	-16.3	
Nordea Investment Management (Denmark)	Denmark	Value	Medium	64,475.4	311.3	-28.3	0.5	-8.3	
Pine River Capital Management, L.P.	United States	Alternative	Very High	1,457.2	50.1	-26.6	3.4	-34.7	
Seafarer Capital Partners, LLC	United States	Yield	Medium	2,020.8	0.0	-24.5	0.0	-100.0	
Dodge & Cox	United States	Value	Low	171,398.8	266.0	-23.7	0.2	-8.2	
Morgan Stanley Investment Management Inc.	United States	Growth	Medium	60,827.5	51.8	-17.4	0.1	-25.1	
Fisher Investments	United States	GARP	Low	64,892.3	7.1	-17.2	0.0	-70.7	
				1,206.4	-296.2				

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

Sector Inflows/Outflows:





Road show:

London and New York continue to be the top investor centres in both dollar terms as well as the number of active investors. These two cities aside, Boston based investors showed the largest increase in their exposure to the market (+\$112M), with Wellington Management Company, LLP joining Fidelity by buying a little over \$20M. Chicago based investors were the largest sellers over the quarter with William Blair & Company, LLC and Driehaus Capital Management, LLC withdrawing \$39M and \$15M respectively – excluding these two investors Chicago's interest was relatively flat.

Most Invested				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,775,876.8	5,444.8	-24.7	78
United States (New York)	2,423,406.7	2,103.2	156.4	44
Norway (Oslo)	616,475.4	1,038.7	0.7	3
United States (Boston)	2,069,136.5	854.6	112.1	14
Netherlands (Amsterdam)	152,697.5	697.0	0.2	4
United States (Los Angeles)	1,061,581.4	422.5	45.3	8
United States (Atlanta)	188,187.2	393.6	26.0	2
Sweden (Stockholm)	148,719.7	367.5	7.6	12
United States (San Francisco)	335,570.6	361.2	-27.8	4
Denmark (Copenhagen)	75,296.1	331.2	-28.3	3
Norway (Stavanger)	8,315.9	297.3	-0.8	1
Turkey (Istanbul)	264.9	275.7	-12.0	8
Germany (Frankfurt)	269,375.3	221.2	-29.6	7
Netherlands (Rotterdam)	35,392.8	214.1	42.1	1
Poland (Warsaw)	19,503.0	209.6	0.0	19
Switzerland (Geneva)	87,841.2	208.9	1.6	7
Canada (Toronto)	467,338.3	182.1	-8.7	14
United States (Bridgewater)	30,035.4	177.7	9.3	1
Bahamas (Nassau)	42,021.0	164.2	-32.1	1
Canada (Victoria)	38,328.2	153.8	0.0	1
Excludes Passive/Index Investors		14,119.1	237.4	233

Most Investors				
Country / City	Total Equity Assets (\$M)	Value (\$M)	Activity (\$M)	# Firms
United Kingdom (London)	1,775,876.8	5,444.8	-24.7	78
United States (New York)	2,423,406.7	2,103.2	156.4	44
Poland (Warsaw)	19,503.0	209.6	0.0	19
Japan (Tokyo)	579,852.3	90.6	1.0	16
United States (Boston)	2,069,136.5	854.6	112.1	14
Canada (Toronto)	467,338.3	182.1	-8.7	14
United States (Atlanta)	188,187.2	393.6	26.0	2
United States (Chicago)	212,656.2	112.5	-52.6	13
Sweden (Stockholm)	148,719.7	367.5	7.6	12
France (Paris)	212,630.6	133.1	2.3	10
Singapore (Singapore)	61,189.5	141.5	10.2	9
Finland (Helsinki)	17,744.9	73.0	8.9	9
Taiwan (Taipei)	20,939.9	15.9	2.8	9
Austria (Vienna)	9,032.8	151.2	-8.1	9
United States (Los Angeles)	1,061,581.4	422.5	45.3	8
Hong Kong (Central)	74,981.3	75.1	-4.9	8
Turkey (Istanbul)	264.9	275.7	-12.0	8
Switzerland (Geneva)	87,841.2	208.9	1.6	7
Switzerland (Zürich)	235,354.0	137.4	-1.2	7
Germany (Frankfurt)	269,375.3	221.2	-29.6	7
Excludes Passive/Index Investors		11,231.8	206.1	316

Active vs. Passive investors:

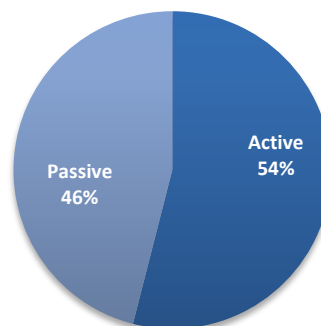
Overall, Active investors remained positive on Turkish equities for the second consecutive quarter with net buys of \$164M – only slightly higher than their passive counterparts increase of \$159M.

"The win of governing president Erdogan through getting "yes" to constitutional change which changes Turkey to presidential power was very near call. As the outcome was more or less priced in then, market participants took this as a sign of more stable period. After the referendum, the lira strengthened and equity prices increased."

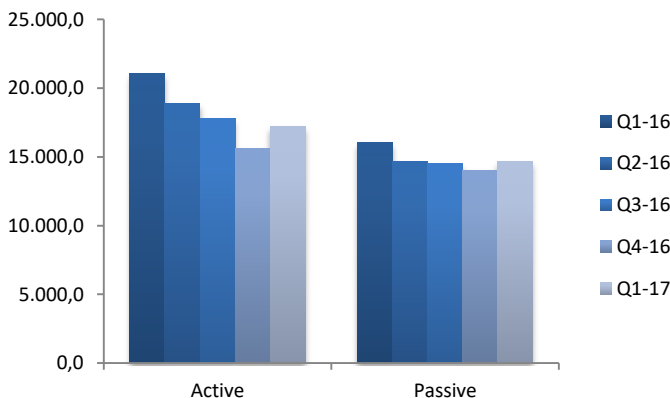
Swedbank Eastern Europe Equity Fund, April 2017

https://www.swedbank.ee/static/investor/funds/SEEEF_raport_eng.pdf

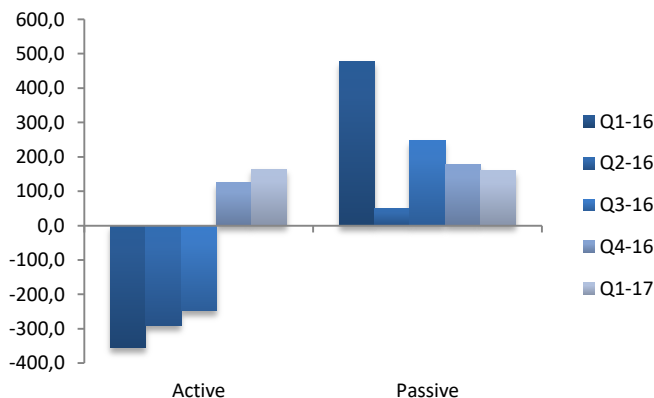
Active vs Passive Split



Active vs Passive (\$M Value)



Active vs Passive (\$M Change)





GLOSSARY

Institutional Investment Styles

Aggressive Growth – Investors in this category invest in companies that have very high revenue, EPS growth rates and multiples relative to the overall market. These companies usually do not pay any dividends and are at the early stages of growth. Aggressive Growth investors exhibit a higher portfolio turnover than other styles of investors.

Alternative – Primarily used to classify hedge funds that use various strategies that fall outside the traditional investment strategies that can be categorized as the above. A catch-all for lightly regulated investment vehicles that have the ability to "go-anywhere" and invest long or short in any type of security – equity, debt, commodity, options, currency, etc. Hedge funds seek to earn above market returns for their clients while at the same time controlling risk factors. Hedge funds have grown in prominence over the years as their returns net of fees (typically 2% management, 20% incentive) have outperformed mutual fund and pension managers performance. Recently, many hedge funds have gained notoriety as "activists" demanding change (leadership or strategic) at companies in North America, Europe and Asia.

Asset Allocation – Asset allocation managers allocate their investments among stocks, bonds, and cash equivalents, among others. It is primarily dictated by the various needs of clients and used by many smaller firms and banks.

Deep Value – Investors in this category employ an extreme style of value investing where they invest in companies with very low valuations versus their own historic valuation, and in relation to the overall market. Usually the companies or the industries they are in have been out of favour in the marketplace for an extended period of time.

GARP – These institutions seek to add growth stocks to their portfolios, but will not pay a premium price to obtain the securities. Thus, investors of this type are categorized as GARP, or "growth at a reasonable price," investors. Investors utilizing this investment approach will use methodologies and indicators favoured by both growth and value investors, but neither of the aforementioned styles dominates the process.

Growth – These institutions place the greatest emphasis in their selection process on the growth prospects of a company's earnings. Growth investors prefer companies where bottom line growth will average at least 15% annually and are willing to pay above market average multiples for a stock. At the first sign of an earnings slow-down, however, growth investors are often the quickest to sell.

Index – These institutions strive to match the performance of an equity index such as the MSCI EAFE Index or the S&P 500 Index, while at the same time keeping trading costs at a minimum. An institution accomplishes this by holding the stocks that comprise the index in its portfolio at the same proportion as the index. Indexing is a passive style of investing; stocks are bought and sold based upon their inclusion in an index and not on their fundamentals. Please note, index investors are not familiar with the companies in which they have made investments and are therefore considered investor relations immune.

Other – This style is applied to companies that are not investment firms, such as public companies.

Private Equity – This style is applied to firms that are private equity investors and their public equity holdings are the result of pre-IPO holdings.

Specialty – Applied to firms with investment strategies that cannot be categorized due to the specific nature of their focus. Industry or sector specific focus is the most common example of a Specialty investor.

Value – Value-oriented institutions prefer stocks that are trading at undervalued levels relative to some valuation such as a stock's intrinsic value or a company's free cash flow. Value investors tend to have longer-term investment horizons than their growth counterparts as they wait for the convergence of value and price.

Venture Capital – This style is applied to firms that are venture capital investors and their public equity holdings are the result of pre-IPO holdings.

Yield – Yield investors are sensitive to a high dividend yield and invest in companies with yield levels very high compared to the market yield, and have a history of paying and increasing dividends over time.

Orientation

Active – Indicates that the final investment decision making process at an institution is enacted by a portfolio manager or analyst. While computer screening models may be used in the investment process they are not utilized to make the final investment decision.

Passive – This category primarily captures index and quantitative investors. These investors utilize computer models to define an investable universe and make final portfolio decisions. Investor relations officers cannot influence these investment decisions.

Turnover

Portfolio Equity Turnover is the measure of how frequently a portfolio buys or sells securities over a 12 month period. It is calculated as the sum of the dollar values of buys and sells over a given period, divided by the sum of the beginning and ending equity assets over the same period, reported as an annualized percentage.

A portfolio with a turnover rate of 100% replaces its entire portfolio throughout the course of a 12-month period, whereas, a portfolio with a turnover rate of 50% replaces half of its holdings during the same time.

- Low Turnover (0-33.3% per year)
- Medium Turnover (33.3 -66.6% per year)
- High Turnover (66.6-100% per year)
- Very High Turnover (Over 100% per year)